

FINANCIAL TIMES

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World News Business Summary

S Africa welcomes US plan for Namibia

South Africa cautiously welcomed a US proposal linking Namibian independence next August to the final withdrawal of Cuban troops from Angola two years later.

SEC close to co-operation agreement with France

US Securities and Exchange Commission expects shortly to sign agreement with French authorities allowing for substantial co-operation and exchange of information in securities markets.

Thatcher keeps itinerary despite tension in Poland

MRS Margaret Thatcher, the British Prime Minister, begins a three-day visit to Poland today, in an atmosphere of political and social tension provoked by the imminent closure of the Lenin shipyard in Gdansk.

Minister, have each gone out of their way publicly to praise Mrs Thatcher's economic policies and the steps she has taken to reduce the power of the British trade unions, stressing that they hope to learn from her.

Israelis go to polls as air force strikes in Lebanon

THE ISRAELI air force launched fresh bombing raids against Palestinian targets in Lebanon yesterday as Israelis went to the polls to elect a new parliament and government.

Dukakis picking up Democratic US presidential candidate

Democratic US presidential candidate Michael Dukakis, picking up slightly in the opinion polls, accused the Reagan Administration of smothering a Wall Street "manager binge" and ignoring the needs of workers.

SEC Second position futures

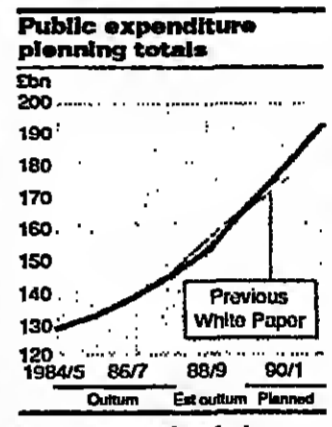
Second position futures (2 per tonne) 1200 1100 1000 Sep 1988 Nov

West Germany set to approve fresh DM4bn guarantee for Airbus

THE BONN Government looks set today to agree fresh conditional financing of up to DM4bn (2.5bn) over the next decade to support the West German stake in the European Airbus project.

Lawson decides to maintain spending target

MR NICOL LAWSON, Britain's Chancellor of the Exchequer, confounded economic pundits and City of London analysts by leaving the Government's spending target for the coming financial year unchanged in his annual Autumn Statement on the economy yesterday.



Managua truce offer

The Nicaraguan Government extended a seven-month truce with Contra rebels by a month until the end of November, despite what it said was continued aggression by the rebels and their US sponsors.

ALLIED-Lyons, UK food and drinks group

ALLIED-Lyons, UK food and drinks group, sold 51 per cent stake in HPC, US-based oil and gas company, to Gulf Canada Resources for \$227m (\$180m) in cash.

The resulting group, which will be by far the largest in the Federal Republic, will form one of the world's biggest and most diversified engineering and defence technology concerns with turnover of about \$600m based on this year's figures.

Against the background of an "extremely tight" fiscal stance, the Chancellor nonetheless forecast a soft landing for the British economy from its current, excessively strong rate of growth, inflation, output and the current account balance of payments deficit would all be lower by the end of next year, he said.

UN Sudan appeal

UN Secretary-General Javier Perez de Cuellar called for a \$70m emergency relief campaign for up to 2.5m Sudanese in need of food, shelter, and medical help.

CANADIAN uranium production

CANADIAN uranium production reached record 12,456 tonnes in 1987, equivalent to 34 per cent of world requirements, against output of about 6 per cent up in 1986.

Saudis flood oil market in bid to break Opec quota deadlock

SAUDI ARABIA, which owns a quarter of the world's oil reserves, flooded the markets with crude last month, according to informed oil industry executives.

Major pharmaceutical company Warner-Lambert first established a base in Gwent

Major pharmaceutical company Warner-Lambert first established a base in Gwent 18 years ago and has recently transferred manufacturing here from Eastleigh in Hampshire.

Newspaper banned

South Africa's Weekly Mail newspaper, one of the Government's most outspoken and influential critics, was closed for four weeks for having published supposedly subversive material.

INTERSHOP, Zurich-based property developer

INTERSHOP, Zurich-based property developer, plans series of capital transactions aimed at financing new investment and "restructuring its Swiss character".

CHICAGO Board Options

CHICAGO Board Options Exchange has approved a trade option based on basket of stocks, directed mainly at institutional investors.

French airlines Companies fly into some heavy weather

French airlines Companies fly into some heavy weather. Press Austria's minor media revolution. US elections: Likely returns on campaign funds.

W Sahara talks lag

The Polisario Front, fighting for Western Sahara independence from Morocco, said it did not expect a referendum on the territory's future, under UN-sponsored peace talks, until 1990 at the earliest.

SOVIET UNION is importing significant quantities of

SOVIET UNION is importing significant quantities of synthetic nitrile produced in South Africa and Namibia, according to British anti-apartheid group. Trade runs against Soviet support for UN ban on trade in Namibian natural resources, and separate Soviet restrictions on imports from South Africa.

Manfred Wörner the new Secretary-General of Nato

Manfred Wörner is the first German to be appointed to Nato's top post. He says he has never used the words "hawk" and "dove" and could be considered both.

European Commission Master or servant of the member states?

European Commission Master or servant of the member states? Editorial comments A rosy scenario; Mrs Thatcher in Poland. There they go against Economic issues in the US election. Lexis Autumn statement; British Steel; Allied-Lyons; Brierley.

MARKETS table with columns for Zinc, Sterling, Stock indices, and other market data.

Table listing various market indices and their values, including Agriculture, World Guide, Commercial Law, etc.

Table listing various market indices and their values, including Financial Futures, International bonds, Int'l. Capital Markets, etc.

Warner-Lambert advertisement featuring the Gwent logo and text: 'Gwent has the perfect prescription for Warner-Lambert'. Includes a map of Gwent and London.

Vertical text on the left margin: 'countries usually health t when ing our maybe used. Nr: 36 33.'

EUROPEAN NEWS

Soviet law will 'open doors' to press

By John Lloyd in Moscow

A DRAFT law on the press... The law is being drafted by a committee largely composed of journalists under the chairmanship of Mr Victor Afanasyev, editor of Pravda, the Communist party newspaper.

"We suffer from too many rules and regulations in this country," he said. "I favour the idea of fluctuating circulations."

From an opinion poll also published by Trud, it seems likely that the demand for some older-established and conservative publications will fall, while public interest in the liberal papers, such as Ogonyok, Argumenty i Fakty, Literaturnaya Gazeta and (perhaps not surprisingly) Trud itself, will rise.

The reality of the changes foreshadowed by the forthcoming press law is likely to be much more prosaic than it is set to look.

Sardinian kidnappers free victim

By John Wyles in Rome

THE LEADERS of one of Sardinia's most profitable industries were yesterday counting their multi-billion lire earnings from the suffering inflicted on the person and family of the former businesswoman, Mr Giulio De Angelis, 56, who was released on Monday evening after being kidnapped four and a half months ago.

Spain set to press Portugal for easing of restrictions

By Diana Smith in Lisbon

MR FELIPE GONZALEZ, the Spanish Prime Minister, is expected to press for the easing of restrictions on the flow of capital and services between his country and Portugal when he meets Mr Anibal Cavaco Silva, his counterpart in Lisbon this week.

Mr Gonzalez, reflecting the impatience of many of his countrymen with Portugal's financial red tape, is likely to ask his hosts this week to push open the financial door further.

A tax will be introduced (next year) on the increase in income, he said. "If incomes increase more rapidly than production, then progressive taxation will be introduced."

Iceland announces spending cuts in austerity budget

By Robert Taylor in Reykjavik

THE ICELANDIC Government yesterday announced tax increases and spending cuts in a budget aimed at producing a surplus in 1989 after three years of deficits.

Waldheim ends tour of Mid-East

By Jim Bodgener in Istanbul

MR Kurt Waldheim, the Austrian President, is ending his tour of Middle East countries today with an unofficial stopover in Istanbul. He is scheduled to have dinner privately with Turkey's President, Mr Kenan Evren, but there are no plans for him to meet the Prime Minister, Mr Turgut Ozal.

Venice bans use of high phosphorus detergents

By Alan Davies in Venice

VENICE yesterday began enforcing a law that bans the sale and use of detergents with high phosphorus content, which have been blamed in part for severe pollution of the lagoon. AP reports from Venice.

Finland charts an economic course for 1992

By Olli Vitanen in Helsinki

FINLAND WILL not seek membership of the European Community but is aiming for close co-operation with the EC, according to a government report on the greater integration of Western Europe.

Portugal struggles to catch up with European classrooms

Diana Smith in Lisbon examines an urgent upheaval in education initiated by a minister who has done his homework

PORTUGAL is struggling to make up in four years for four generations of neglect of education, health and living standards that has helped to condemn it to the bottom rung of the EC ladder.

Not only elementary, but also higher education and vocational studies have joined the race to improve. Mr Carneiro wants universities to be independent and to shift emphasis from theory into practical knowledge.



Roberto Carneiro

EDUCATION TARGETS FOR 1992
As a percentage of eligible population

	Portugal current	EEC average	Portugal 1992 target
Pre-school education	30	80-90	70
Nine years schooling	40	80	80
Vocational/technical	5	30	30
Special education	25	-	40
Literacy rate	15	70	70
Higher education	11	25	20

Not only elementary, but also higher education and vocational studies have joined the race to improve. Mr Carneiro wants universities to be independent and to shift emphasis from theory into practical knowledge.

Spending on education has grown from less than 4 per cent of GDP to more than 5 per cent and school and university reforms have been given top priority.

Norway 'needs to aim for zero growth'

By Karen Fosell in Oslo

NORWAY will need to achieve a growth rate of zero over the next two years if the country is to restore balance to its ailing oil-dependent economy, according to Mr Kjell Andersen, special adviser to Norway's OECD delegation.

Norway 'needs to aim for zero growth'

Without giving details, the minority Labour Government said last month that the overall policy for 1989 is designed to create favourable conditions for a wage settlement that can ensure a further decline in wage and price inflation.

EUROPEAN NEWS

Plugging gaps in the Austrian press
Judy Dempsey in Vienna reports on a minor media revolution

They say breakfast in Austria will never be the same again. It is not that the coffee, probably the best in Europe, has changed. Nor has the excellent quality of the locally baked bread. It is the choice of newspapers that has changed.



Austrians are waking up to their first new newspaper since the 1950s - Der Standard. And it could be the catalyst for radically transforming the Austrian media.

The size of Le Monde and the colour of the Financial Times, Der Standard now hangs on the newspaper racks of the Viennese coffee houses.

It is the brainchild of Mr Oscar Bronner, a charismatic, no-nonsense 45-year-old Austrian.

He had spent the best part of 12 years living in New York as a successful artist. He usually read the New York Times over breakfast.

On his return to Austria in 1986, he realised he could not take the daily dose of the Austrian media.

"I wanted news and analysis. I wanted to be informed. I wanted a decent economic section. The Austrian media didn't provide any of this," said Mr Bronner.

As liberal-minded intellectuals see it, the problem with the Austrian media is that it is too parochial in outlook and too tied to political and other interests.

The staple diet for most Austrians remains the Kronen Zeitung, whose anti-intellectualism, peppered with anti-semitism and xenophobia, excelled itself during the Waldheim affair when, during Austria's presidential election campaign, allegations were made about the former UN Secretary-General's wartime history.

Kronen Zeitung, formerly owned by the trade unions, remains a bastion of small-mindedness but still manages to sell a staggering 3m copies a day, out of a population of just over 7m. Per capita, that

makes it one of the biggest circulation papers in the world.

But for those who wanted something with a bit more quality, they could turn to the conservative Die Presse - seen as Der Standard's main competitor and enjoying a daily circulation of 75,000 - or to the liberal-minded Salzburger Nachrichten, probably the only decent and serious newspaper in Austria but whose circulation - about 74,000 copies a day - and readership is largely confined to the west of the country.

Even with such newspapers as the Salzburger Nachrichten and the liberal Kleines Zeitung from Graz, foreign coverage

was, and remains, extremely patchy.

Aware of the gaps in the market, Mr Bronner made inquiries about the possibility of founding a newspaper.

He was not new to the game. In the 1970s, he set up Profil, the highly successful political weekly, and Trend, the economic monthly which has lifted the quality of the country's journalism as a whole.

Throughout 1987 and early 1988, Mr Bronner was preoccupied with raising capital, creating a market and attracting advertisers and good journalists.

Then, earlier this summer, Springer, the West German newspaper baron, came into the picture.

According to Mr Bronner, the Springer group was

impressed with the idea of financing a liberal newspaper in Austria, even though Springer's reputation for backing anything remotely liberal remains to be tested.

A deal was struck. Springer put up the majority of the capital, split the voting rights down the middle and promised Mr Bronner it would not interfere with the editorial content.

Once that was agreed, Mr Bronner scoured Austria for journalists.

This was no easy task. Since the Second World War, the Austria media has remained largely inward-looking and shy of analysis and criticism.

This was in sharp contrast to

the pre-war period. Then, the newspapers blossomed because of the influence of the Jewish community which provided the papers with its best writers, commentators, critics and journalists.

But the Holocaust, followed by the emigration of the remaining Jewish middle-class, closed a rich era in Austrian journalism.

However, the destruction of Austrian Jewry does not fully explain why the Austrian media never encouraged a new generation of journalists.

Some Viennese journalists point the finger at the development of post-war Austrian politics in which consensus and the socialpartnerschaft - under which political parties and trade unions ironed out their differences, not on the barr-

The Austrian media has been inward-looking since the Second World War, in contrast to the period when newspapers blossomed because of the influence of the Jewish community

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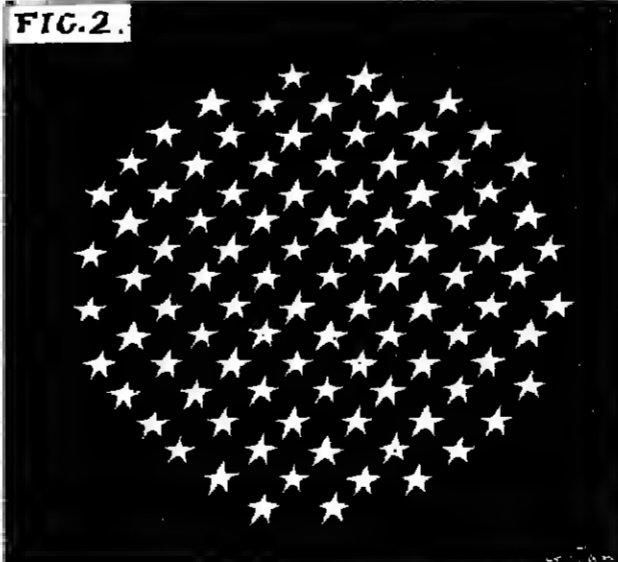
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THE WAY YOU SEE EUROPE DEPENDS ON WHO YOU ARE.

From the outside, Europe can be seen simply as an emerging political entity (see fig.1). But as most businessmen know, on the inside it's a vibrant economic



community packed with places generating a lot of business (see fig.2). So if you fly for business we think you should fly with people who fly for the businessman: Air France. With 94 destinations in Europe alone we not only regularly go where everybody else does, but also to places nobody gives a second thought to, until they have to go there. In fact, we fly to more cities in Europe than any other airline. And if that isn't enough incentive for you to fly with us, fly with us for our service. You'll find that it also rates a few stars.

THE FINE ART OF FLYING AIR FRANCE

OVERSEAS NEWS

Parties try to lift Pakistani poll campaign

By Christina Lamb in Lahore

JUST TWO weeks before Pakistan's first free elections in 11 years, the launch of nationwide campaigns by both the pro-establishment Islamic Democratic Alliance (IDA) and Miss Benazir Bhutto, leader of the opposition Pakistan People's Party (PPP), scarcely raise the remarkably low election tempo.

Prime Minister, but also its first national assembly containing mother, daughter and father-in-law.

She charged that the caretaker government was trying to manipulate the result, by first gerrymandering constituencies, then insisting that people can only vote if they have identity cards.

While Ms Bhutto was trying to drum up support in the Punjab and her arch rival Nawaz Sharif, chief minister of the Punjab and leading IDA figure, was heading a well-orchestrated procession in Lahore, the hottest election debate was over bicycles, the IDA's election symbol.

South Asians love a spectacle and in a country whose Islamic strictures mean that entertainments are still of the medieval cock-fighting variety, the atmosphere was fiesta-like with party workers dancing on carriage roofs.



Benazir: first class

Gulf states in air manoeuvres

SIX GULF Arab states will carry out their biggest joint air manoeuvres from November 5 to November 15 in Kuwait, a Kuwaiti official said yesterday.

The manoeuvres, codenamed Peninsula Hawk 2, would be carried out in conjunction with a joint GCC army strike force known as Peninsula Shield.

Sudanese rebels 'down helicopter'

SUDANESE rebels claimed yesterday to have downed a government helicopter trying to evacuate wounded soldiers from a garrison town in the country's south.

Blue Nile province, according to the Radio SPLA.

Corruption in Aboriginal agency alleged in Australia

AUSTRALIA'S opposition coalition has latched onto a second political issue quite as explosive as the Asian immigration question it raised three months ago: alleged Aboriginal corruption and nepotism within the Federal Government.

Under increasing pressure over the issue, the Labor Government headed by Mr Bob Hawke, the Prime Minister, has announced a comprehensive audit of the Aboriginal Development Commission, an all-Aboriginal body set up in 1980 to help Aboriginal people acquire land, engage in business and obtain housing finance.



Botha: threat to order

Pretoria bans Weekly Mail for one month

By Anthony Robinson in Johannesburg

THE South African Government's long-running war against press freedom has been taken a step further with a decision by Mr Stoffel Botha, the Interior Minister, to ban for a month the country's most successful "alternative" newspaper, the Weekly Mail.

Mr Botha, a former lawyer and current provincial party boss in Natal, now wields the formidable media control powers incorporated in the state of emergency regulations.

Mr Botha said the ban was necessary to the safety of the public or to the maintenance of public order or to avert a delay in the termination of the state of emergency.

A Mail editor commented yesterday: "If we are such a threat to public safety why shut us for a month? The answer could be because the Mail is a former lawyer and current provincial party boss in Natal, now wields the formidable media control powers incorporated in the state of emergency regulations."

far over a year. He has already used the emergency powers twice to confiscate the Mail after it hit the streets and has in the meantime waged a bureaucratic war through the legislative complexity of press legislation which seeks to intimidate by a series of official warnings before banning a publication.

HK Stock Exchange blocks flotation

By Michael Murray in Hong Kong

THE Hong Kong Stock Exchange has postponed the flotation of Cosmos Machinery, a local company, citing poor documentation and insufficient information for investors.

Cosmos, an industrial products and machinery distributor, intended to float 25 per cent of its shares this month, but the exchange has told the company to reapply with more information.

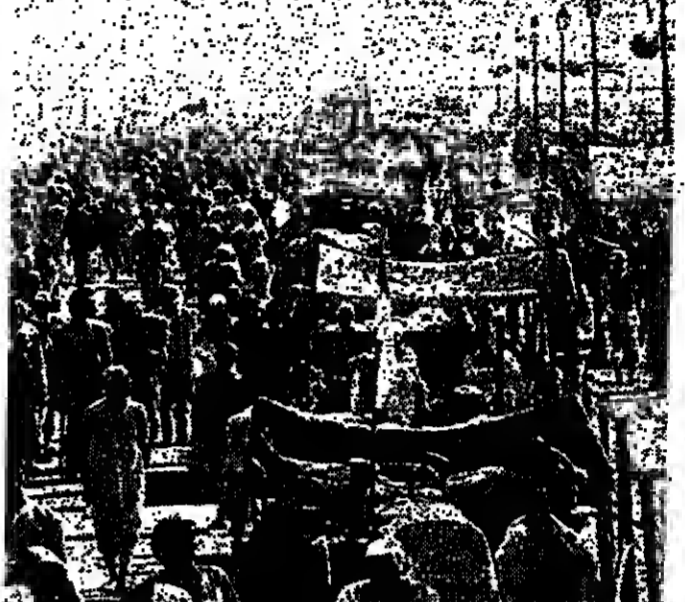
Last week the exchange vetoed a rights issue by Paul Y Holdings, a property company controlled by Mr Thomas and Mr Joseph Lan, two Hong Kong businessmen.

The new administration governing council was elected on October 17, which subsequently elected local banker Sir Quo Wei Lee as its chairman and appointed Mr Francis Yuen as chief executive.

Farmers bring their voting power to Delhi

K.K. Sharma reports on how India's politicians have been reminded of the rural vote

MR MAHENDRA Singh Tikait, the burly and charismatic president of the Indian Farmers' Union, is clearly no peasant but he is cast in the mould of a revolutionary.



Farmers and their tractors gather in central New Delhi

Tikait warned: "It is difficult to get farmers together but once they gather as we have done in New Delhi, there could be a revolution."

He refused to recognise the Government, "roared Mr Tikait on Monday as he ordered his followers to launch the civil disobedience movement much in the same way that Mahatma Gandhi, the spiritual leader who led the fight for Indian independence, did more than six decades ago."

Indeed, Mr Tikait claims to be a follower of the Mahatma. "I am wedded to truth and non-violence," he said. Yet he has raised a "farmers' army" of more than 10,000 youths who have licensed weapons, and he can issue orders that will be followed by millions of farmers in the politically important Hindi heartland in northern India.

"I will fight to the finish to secure justice for the exploited farmers," Mr Tikait vowed on the last day of the sit-in.

Even Mr Rajiv Gandhi, India's Prime Minister, has acknowledged that farmers are getting a "step-motherly" treatment from the Agriculture Ministry which fixes the support prices of all crops. Some of the farmers' demands are clearly unreasonable - like waiving of all past loans to them - but there is considerable merit to others, such as higher prices for their produce to enable them to meet the costs of inputs and have enough left for a decent living.

INSIDER TRADING CHARGES HIT INVESTOR CONFIDENCE

Seoul arrests dismay market

By Maggie Ford in Seoul

SECURITIES firms and the South Korean Stock Exchange are expected to move swiftly to repair the damage to the financial market caused by the arrest of 12 people charged with insider trading.

They are also charged with illegally conspiring to make profits themselves. Brokers are effectively banned from trading in securities on their own account except through in-house savings plans.

The Korean stock market has a history of manipulation by speculators and so-called "big hands" - individual rich investors. In the past, government and other figures have been suspected of intervention for their own purposes weakening the authority of the official supervisors.

Rising Taiwan \$ prompts fears among exporters

By Bob King in Taipei

AFTER several months of stability, the Taiwan dollar has begun a second round of rapid appreciation, prompting renewed fears among exporters that their products will become less competitive in the near future.

The renewed rise followed the recent publication of a report by the US Government which accused Taiwan of manipulating the currency, which if true would allow the US to retaliate against Taiwanese products.

Population of China to reach 1.27bn

CHINA'S population could reach 1.27bn by the year 2000, some 70m more than the target, the nation's top family planning official has said, AP reports from Peking.

Saudi move on foreign workers

SAUDI ARABIA has unveiled the outline of a five-year development plan which aims to replace foreign workers with Saudis, but diplomats said yesterday the goal appeared hard to meet.

They said the government would not find it easy to reduce the expatriate workforce. "There will be no decrease in the number of foreigners without a deterioration in services," said one diplomat.

Population of China to reach 1.27bn

The natural growth rate fell to 1.1 per cent in 1985 but climbed to 1.4 per cent in 1986 and 1.6 per cent last year, a result of opposition to the one-child policy in the countryside and a second-generation baby boom, as people born in a population surge in the early 1960s began raising families.

Month

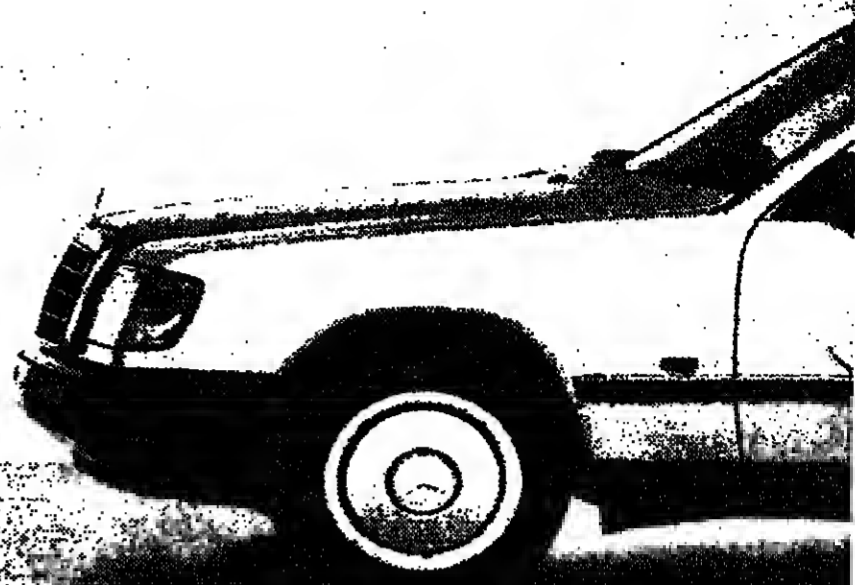
year. He has almost emergency powers to confiscate the streets and...

Delhi

rural vote... "It is difficult to put together but as we have done there could be a movement is close to a revolt. All of the owners are leaving...

Population

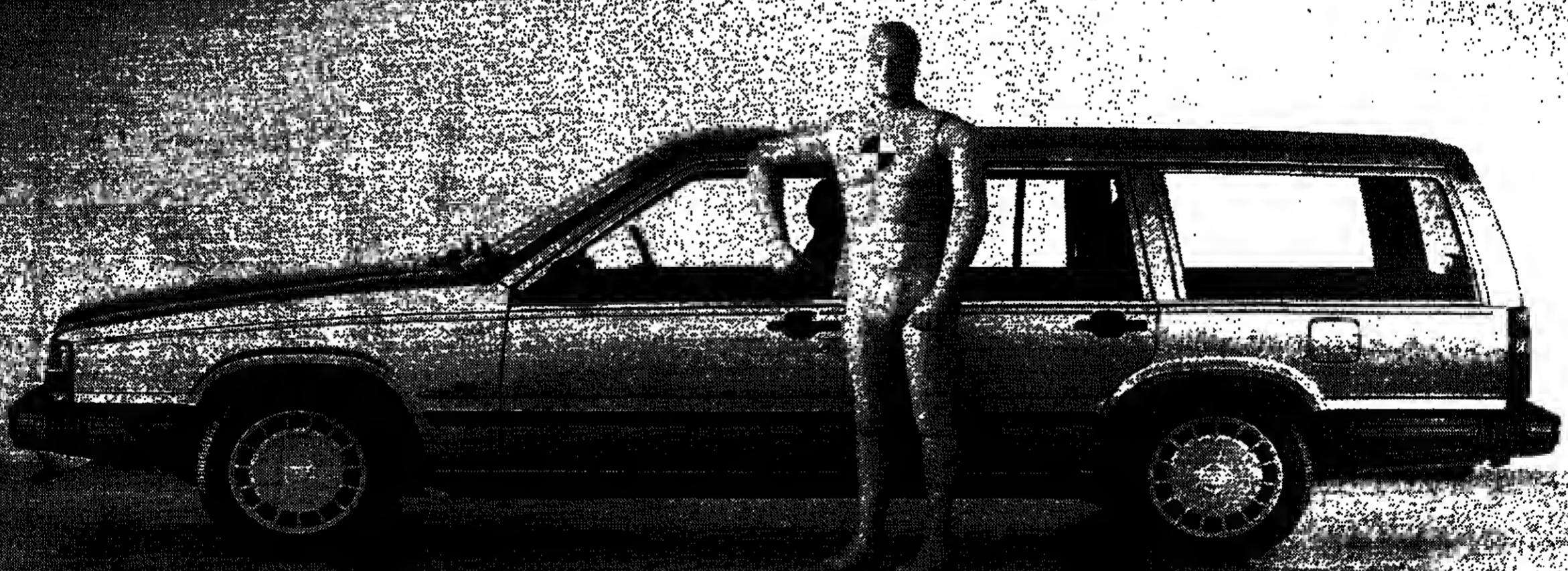
China to 1.27bn... population of 1.27 billion by the year 2000 more than the entire population of the world...



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Not that the other two aren't, of course.

Clearly, all three owe much to the skills of the engineer.

But only one, apparently, to the skills of the economist.

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The 300TE Patrol 0-62 mph 8.8 seconds, top speed 130 mph (manufacturers figures) 250TD Diesel 24 mpg in urban cycle, 48 mpg at constant 56 mph and 36 mpg at 75 mph

Should you buy the car you want or the car you need? Do your aspirations incline you towards a quality car that's rewarding to drive, prestigious and built to the highest standards of engineering, from engine block to door handle? Or are you constantly reminded you need a practical car with more seats, more space, that's easy to drive and easy to park in a busy shopping precinct? At first it may seem difficult to comprehend how the T-series can encompass virtues associated with not only a luxury car but also a functional estate. Difficult, that is, until you remember it is first of all a Mercedes-Benz.

Unlike most estate cars, driving a T-series is not akin to pushing a shoebox against the wind. Its slippery shape is devoid of unnecessary adornment and the lack of wind noise is self-evident as it accelerates with smooth, effortless energy to reach its cruising speed in a matter of seconds.

Only the cavernous loadspace in the rear will remind the T-series driver that it is indeed an estate car. With the rear seat folded down, over six feet of fully usable flat-floored space is provided.

And even with the loadspace completely occupied, the multi-link rear suspension system, incorporating a self-levelling device, maintains the car's composure and results in a relentlessly sure grip and smooth ride.

VERSATILITY IN NUMBERS

There are five models in the range. Top performers are the three litre 300TE and the new 300TE 4-matic (which has the sophisticated Mercedes-Benz automatically engaging four-wheel-drive system). Their six cylinder 188 DIN/hp power units deliver lively acceleration and high top speed. While at low speeds

they can draw on massive reserves of torque which reaches a maximum of 191 lb/ft.

The 230TE is no slouch either. Its 2.3 litre single ohc, fuel injected, four cylinder engine makes it much sought after, as is the four cylinder 2 litre 200T. The most economical T-series is the one that doesn't use petrol at all. The diesel powered 250TD has an engine so refined the uninitiated might not even be able to tell it's a diesel.

All share a range of safety features invented by Mercedes-Benz, not least of which are the energy absorbing crumple zones with rigid passenger safety cell and electronic seat-belt tensioners for front seats.

PRACTICALLY BACK TO FRONT

You expect an estate car to be versatile but how versatile should you expect a Mercedes-Benz to be? The T-series will not disappoint you. It is a car that has a generous amount of everything you need: loads of space and long-distance comfort; a full measure of driving enjoyment and exclusive features. Example: the large, wide-opening tailgate glides on two gas-filled struts and is assisted by an ingenious electro-mechanical mechanism that moves the lowered tailgate to a fully closed position and locks it without slamming.

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UK NEWS

Five year delay in Whitehall's plans for defence

By David White, Defence Correspondent

IDEAS for updating the armed forces' handling of stores along US lines have been under discussion for more than five years. This bureaucratic saga is chronicled in an audit report by Mr John Bourn, the Comptroller and Auditor General, head of the House of Commons public spending watchdog. The report criticises the MoD's record in improving stocktaking procedures in the three armed services, which have total stores valued at over £13bn. In 1983, the report relates, the UK Ministry's Defence Supply Sub-Committee invited proposals on how it should monitor "new initiatives" such as bar-coding, introduced by the US in 1981. In May 1985 a working group reported to the Defence Supply Sub-Committee that the US experience was successful. But a year and a half later, in October 1986, because of "an apparent dispute" between two ministry branches, the Defence

Long haul ahead for the railway revival

Kevin Brown on plans to switch traffic from roads to rails

NEIL KINNOCK, the UK Labour opposition leader, must have struck a chord with many motorists earlier this week when he called for a huge shift of passengers and freight traffic to the railways to ease congestion on the roads. Mr Kinnock's remarks reflected a widespread feeling that the rail network is being under-used, and that much freight, in particular, could easily be moved on to rail. But, while railways have a major part to play in the special circumstances of crowded city centres, the rail system has now declined so far that it would take many years for growth to have a major impact on road congestion even taking into account the Channel tunnel. The railway sector's share of UK passenger transport has more than halved over the last 30 years. Over the same period, the overall passenger market has expanded by 127 per cent, and the freight market by 105 per cent. The inevitable result has been a huge increase in traffic moving by road, to the point where traffic jams have become a daily hazard, especially in the south-east. The railways sector - principally BR - lost market share after the Second World War because it failed to adapt to fundamental changes in the market. The cuts of the 1960s, which followed the influential report



of Robert Beehning, were only the worst example of a series of government decisions. There were some successes, notably the electrification of the West Coast line from London to Glasgow and the successful introduction of the High Speed Train - still the world's fastest diesel service - on the east coast main line to Edinburgh. But as professor Philip Bagwell of the Central London Polytechnic, author of *The Transport Revolution*, points out, funds for railway investment have always been hard to come by. "Successful governments have been much more willing to spend money on the roads than on the railways, which they have seen as a burden on expenditure, rather than as a part of the transport infrastructure and a service to industry and the public," he says. BR's fortunes have revived somewhat in the past few years, partly as a result of faster economic growth at a time of increasing road congestion, and partly because of management changes and better marketing following the appointment of Sir Robert Reid as chairman in 1983. In particular, the creation of five business sectors - Inter-City, Network SouthEast, Provincial, Freight and Parcels - has helped BR transform itself into a customer-driven organisation with much greater control of costs. Demand topped 20m passenger miles for the first time for many years last year, and freight recovered to 17.3bn tonnes kilometres - roughly the 1983 level - from its nadir of 12.7bn in the miners' strike year of 1984. However, this is not an indication of greater Government willingness to provide investment funds; the programme is funded entirely from BR's internal resources, principally property sales. The financial pressures on BR are greater than ever, as the Government squeezes its operating subsidies, currently being cut by 25 per cent by 1990. In the long-term, the Government wants to wash its hands of the BR problem through privatisation, and is examining four schemes: ● BR plc, the option favoured by the BR board, which would protect the integrity of the network, but would not increase competition. ● The separate sale of the business sectors, thought to be favoured principally by Inter-City management, which would introduce an element of competition. ● Creation of a track authority, which would sell space to competing companies. This option is being pressed by the right-wing Adam Smith Institute. ● A return to regional companies competing against each other with a full range of services. This proposal emanates from the Centre for Policy Studies. The last two options have found some support in Whitehall, and among free market academics, such as Professor John Hibbs of the Central Birmingham Polytechnic, who think that competition might lead to an influx of fresh capital and a spate of new lines.

RTZ cuts 328 jobs at Capper Pass

RTZ Corporation's Capper Pass tin smelter in Humberstone is to cut output by half and make 328 of the 808 employees redundant as a result of the international tin crisis. The management announcement made it clear that the long-term future of the smelter is still in doubt.

Nuclear Inquiry
THE UK Inspector conducting an inquiry into plans for the Hinkley Point C nuclear power station in Somerset yesterday rejected a request for the hearing to be suspended. Objectors called for the adjournment in the light of the Government's postponement of plans for a new coal-fired power station at Fawley in Hampshire.

Time plan for EC
UK Ministers are considering testing the views of the British public on harmonising UK time with the rest of the EC, where clocks are an hour ahead. The Home Office said there was a "flavour for change".

Lawyers protest
NORTHERN Ireland's Law Society, representing 2,000 solicitors, has protested to the UK Government about its controversial move to change the law on the right to silence calling it an extension of police powers.

UK ahead in trading
UK companies are switching to paperless trading techniques faster than businesses anywhere else in the world outside the US. Mr Eric Forth, Parliamentary Under Secretary for Industry and Commerce, said yesterday.

Doctors on film
THE UK National Health Service yesterday launched a video showing doctors at Guy's Hospital, London, at work - as managers. It will be shown throughout the NHS as part of an exercise to involve doctors, nurses and other health care professionals in management.

Cross-border mergers, purchases 'to top \$100bn'

By Nikki Taft

CROSS-BORDER merger and acquisition activity is set to top \$100bn during 1988, and the figure could rise to \$115bn in 1989, according to KPMG, the international accountancy firm. Through its "Deal Watch" system, launched yesterday, KPMG intends to monitor all published cross-border deals, both by quoted and private companies. The figures, to be published quarterly, will be one of the first attempts to assess the level of international bids and deals business. The accountants have already totted up figures for the year to end-June 1988. During this period, they found that the UK headed the list of countries making purchases abroad - both in terms of the number of deals, 665, and the value, which amounted to \$34bn. The US was second with 65 deals worth a total of \$4.7bn. In terms of sales, the positions are reversed, with the number of US sales put at 450 and the value at \$51.2bn, followed by the UK with 130 and \$13.5bn. KPMG concedes that the monitoring of private company deals is not always easy, but claims that by value if not precise numbers, its figures are a good guide. Looking at the year to end-June overall, the figures show the European Community, Japan and Switzerland as net buyers and North America as a net seller. Australia, having been a net buyer in the first part of the period, became a net seller after the October stock market crash. Total activity in this period is put at about \$83.3bn.

Computer groups' 1992 warning

By Alan Cane

PERSONAL computer companies seeking success in the single European market after 1992 will have to have a firm foothold in each Community member state, delegates to a Financial Times conference were told yesterday. Speaking on the final day of the conference, Professional Personal Computers in the '90s, Mr Franz Hetzenauer, president of the Dutch manufacturer Tulip Computers, warned that it would be a serious mistake for computer manufacturers to assume that, because they were already part of an international industry, there would be few changes in their

Wool textile industry set for record export year

By Alice Rawsthorn

THE WOOL textile industry has succeeded in sustaining its growth in overseas sales and is set for a record export year despite sterling's continued strength. The National Wool Textile Export Corporation's latest figures show that the industry's exports rose to £42m in August, up more than 20 per cent over the same month last year. This brings the value of wool textile exports in the first eight months of 1988 to nearly £410. Mr Geoffrey Richardson, director of the corporation, says

Wool textile industry set for record export year

to dealing in a mass market. While the first day of the conference had dwelt on the conflict over emerging PC designs, delegates to the second day heard the arguments for "open" systems which would make it possible to move applications software easily from one make of machine to another and connect systems together into networks. Mr Alex Osadzinski, European product marketing director for Sun Microsystems, the fastest growing US computer company and a leading proponent of open systems, said the industry was going through a periodic convulsion.



**MR. YAMAMOTO
CAST A GLANCE TOWARDS
SNOWDON AND
SAW A VISION OF HOME.**

When Mr. Yoshio Yamamoto, President of Matsushita Electronic Components Co. looked at sites for his new European plant, he took a look at Wales. He obviously liked what he saw. Because within a few months, his company occupied a 25,000 sq ft factory on the Welsh Development Agency's Baglan Industrial Park in West Glamorgan. Mr. Yamamoto said the main reason they found Wales attractive was its close proximity to their customers and convenience for export to the rest of Europe. Not to mention technical support, factory space and financial assistance provided by the WDA. 'We also knew that workers in Wales are extremely good and in fact seem to have much in common with the Japanese,' commented Mr. Yamamoto. It's an opinion shared by the hundreds of other companies who have invested millions of pounds in Wales in recent years. No doubt because when it comes to business, Wales can make anyone feel at home. For more information just contact Anna Prokic at the Welsh Development Agency on (0222) 222666.

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UK NEWS - THE AUTUMN STATEMENT

Spending planning total unchanged at £167.1bn ● Inflation to top 6% by end of year ● Growth to fall from 4.5% this year to 3% next
Tories cheer forecast of surplus

By Philip Stephens and Michael Cassell

THE combination in the Autumn Statement of large increases for the health budget and a forecast of a £100bn public sector surplus won Mr Nigel Lawson, the Chancellor of the Exchequer, a warm reception from Conservative MPs.

THE MAIN POINTS

SPENDING: Public spending planning total in 1989-90 set at £167.1bn, unchanged from previous plan. Planning total for current 1988-89 financial year down £3.3bn to £163.6bn. New target for 1990-91 is £178.4bn, up £3.3bn from £175.1bn total set last year...

The minister denied suggestions from some Tory MPs that the move could herald the introduction of charges for other medical checks and rejected claims that the introduction of charges for health care had ever led to a sustained decline in level of treatment.

Mr Robin Cook, the shadow health secretary, said the charge proposals were "friendly" and had been greeted with widespread condemnation throughout the medical profession.

During debate on the Statement, the Chancellor assured the Commons last night when he dismissed forecasts from the Opposition benches that there are stormy times ahead for the economy.

Mr Brown, however, claimed that the statement had compounded rather than corrected the errors of his March Budget and that the economy was ill-equipped and ill-prepared for the challenges of the 1990s.

His charges were reinforced by Mr Alan Beith for the Social and Liberal Democrats who warned that with no significant reduction in the balance of payments current account deficit likely for "so far as the eye can see" there was a danger of a sterling crisis.

While the Chancellor's critics seized on his admission that the current account deficit is likely to remain as high as £11bn in 1989, he underlined the attractiveness of the UK with its political stability and sound economy, for the mobile international funds seeking a home.

He said the current account deficit would, in due course, "diminish quite significantly".

Meanwhile, said Mr Lawson, as the signals coming from the markets showed "there is complete confidence in this country and no problem whatever in financing the deficit that we have".

He reaffirmed that interest rates would be kept at whatever level was necessary to maintain downward pressure on inflation but did not respond to a suggestion that the forecast of a further increase next year implied that the annual rate might reach 8 per cent.

Spending controls welcomed but the forecasts doubted

By Ralph Atkins and Simon Holberton

THE TREASURY'S control of public spending was greeted favourably by financial markets but its forecasts for the year ahead were thought to be on the optimistic side of credible, City analysts said after yesterday's Autumn Economic Statement.

Share prices and sterling both strengthened slightly in what was described as a calm reaction to Mr Nigel Lawson, the Chancellor's, Commons speech.

City analysts said Mr Lawson was positive about the outlook, suggesting a "soft landing" for the UK economy in 1989.

His speech was also seen as cautious, suggesting interest rates will remain high for some time.

Financial markets were encouraged by the Treasury's clear victory over spending departments for the 1989 financial year.

Most analysts had expected public spending in the next year to overshoot the £167.1bn planning total by up to £3bn.

However, the spending totals pencilled in for future years was seen as laying the foundation for possible largesse in the run up to the next general election.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, said the forecasts were based on the most optimistic outlook for the economy, but that interest rates may well have to go higher if the expected slowdown in domestic demand was to be achieved.

He said that despite the forecast pick-up in trade and the continued buoyancy in domestic activity, it was difficult to see how inflation could fall in the way assumed by the Treasury.

Mr Ian Harwood, economist at Warburg Securities, said Mr Lawson's statement would boost confidence in financial markets.

"It was cautious but he said the right things - a soft landing, public spending and inflation under control. He didn't say anything about exchange rates but I think people have got the message about that."

However, Mr Steven Bell, chief economist at Morgan Grenfell, criticised the Chancellor for "taking risks" with the British economy.

He said the Autumn Statement indicated that the Chancellor was intent on tax cuts in the next Budget, possibly up to £3bn.

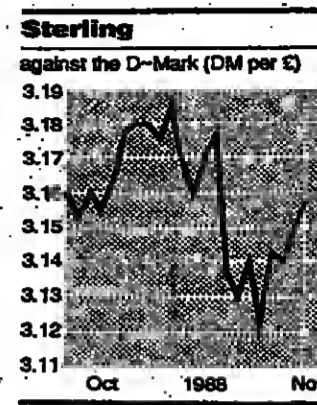
He added that he was risking the development of a wage-generated inflation spiral.

Mr Richard Jeffrey, of Hoare Gowat, said that the statement contained the implicit warning "that if growth does not slow to the 3 per cent that he is forecasting, he will be forced to tighten policy further to avoid overheating in the economy."

Mr Stephen Hannah, economist at County Natwest, said: "I am sure that he has confirmed first that inflation remains very high, and second that the current account deficit is very large, it emphasises that there is no scope for the relaxation of monetary policy."

One dealer at a UK bank said: "People were long of sterling - the market had geared itself up for a direct comment on interest rates and it was a bit disappointed."

Dealers said the Chancellor's comments were more or less what they had expected.



The Statement and the Budget

The British Government separates decisions concerning public expenditure and taxation into two separate reports, both of which are presented to Parliament by the Chancellor of the Exchequer, Mr Nigel Lawson (pictured above on his way to the House of Commons yesterday).

The Autumn Statement, released yesterday, covers expenditure, while the Budget, which is usually presented in the early spring, covers taxation.

Both the Autumn Statement and the Budget set out the Treasury's forecast of the economy for the year ahead and its latest estimates of growth for the current year. They are regarded as the most authoritative forecasts of the UK economy.

Details and analysis of the Statement are found in the following five pages.

Chancellor's £2.2bn can fund expansion in hospital services

By Alan Pike

SOME expansion in hard-pressed hospital services is possible, says the Chancellor of the Exchequer, Mr Nigel Lawson, in his autumn economic statement yesterday.

Mr Kenneth Clarke, Health Secretary, should now be assured a relatively calm financial climate in which to introduce the Government's proposed changes to the NHS.

These will be unveiled in a White Paper in the new year following a high-level ministerial review which has been in progress throughout this year.

The bulk of the extra resources will go to the health service in England - an additional £1.6bn, or nearly £1.8bn if money which health authorities are expected to raise from efficiency savings and income generation schemes is included.

In addition the Government Actuary has recommended a reduction in employers' superannuation contributions in the health service which will save nearly £300m a year. Health authorities will be allowed to retain the savings.

The National Association of Health Authorities calculated last night that an extra £350m will be available for the development of services to patients. But it warned that this would rapidly diminish if inflation next year exceeded the Government's estimates.



Nigel Lawson: Calm financial climate in prospect

Tom Lynch adds: The recent pay award to nurses was "the best deal they have ever had."

Mr Kenneth Clarke, the Health Secretary, said in the Commons yesterday.

He told MPs at Question Time that the award was worth an average of 17.7 per cent to nurses and insisted that the Government had honoured its commitment to fund the pay award and regrading exercise in full.

He rejected criticism of the handling of the grading of hospital sisters, insisting that three-quarters of them would be on the higher of the two relevant grades.

Mr Clarke was pressed by Tory backbenchers on the need for regional pay differentials to reflect the difficulty of recruiting and retaining staff in some areas, especially the south-east.

The full text of the speech by Mr Nigel Lawson, Chancellor of the Exchequer

Lawson predicts soft landing for UK economy

In his autumn economic statement yesterday, Mr Nigel Lawson, the Chancellor of the Exchequer, told the House of Commons...

Cabinet today agreed the Government's public expenditure plans for the next three years. I am therefore taking the earliest opportunity of informing the House of the contents of the Autumn Statement...

For 1989-90, the planning total published in the last Public Expenditure White Paper was £167bn. It will remain at £167bn. This important outcome has been made possible, despite the many claims for higher public spending...

For 1990-91, however, though these two factors will persist, the planning total has been set at £178.4bn, some £3.4bn over the previously published figure. For 1991-92, the planning total has been set at £191.1bn.

The main reasons for this shortfall are an extra £1bn in privatisation proceeds, a reduction in social security spending of almost £1bn as a direct result of the sharper-than-expected fall in unemployment, and a saving of some £240m, largely due to extra housing receipts under the right-to-buy programme.

Over the three survey years as a whole, the real growth in spending on programmes will be over 3 per cent a year. This can be afforded only because of the fall in the burden of debt interest brought about by the dramatic improvement in the Government's finances from Budget deficit to Budget surplus.

As a result, overall public spending, excluding privatisation proceeds, will rise by less than 2 per cent a year, well within the prospective growth of the economy as a whole. In other words, total public spending, excluding privatisation proceeds, will continue to decline as a proportion of national income.

But, at the same time, substantial additional funds have been made available for the Government's most important public expenditure priorities. The figures I am about to give all represent increases over the plans in the last Public Expenditure White Paper.

public expenditure has grown by under 1 1/2 per cent a year in real terms. This is exactly half the rate at which it grew over the whole of the immediately preceding decade.

Looking ahead, Cabinet agreed in July that public spending over the next three years should keep as close as possible to the existing planning totals, and should continue to fall as a share of national income. The plans I am about to announce meet both those objectives.

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year. There will be corresponding increases in Scotland, Wales, and Northern Ireland. On top of that, health authorities are expected to receive an extra £100m a year from sales of surplus land.

Continuing the rate of cost improvement savings achieved in recent years will produce an extra £150m in 1989-90 and an extra £300m the following year. In addition, the Government is accepting the recommendation of the Government Actuary, in a report published today, that NHS employers' superannuation contributions in England and Wales should be reduced, which will save the health service a further £500m a year.

In total, the increases for the health service in the UK as a whole will be over £2.2bn in 1989-90 and over £3.4bn in 1990-91. These are by far the largest increases the health service has ever received. Comparing next year with this year, the increase in real resources for the NHS should amount to some 4 1/2 per cent.

Second, roads. An extra £220m is being provided next year for building and repairing motorways and trunk roads, and for strengthening bridges, with a further £250m the following year.

Third, housing. Gross provision for public sector housing investment is being increased by around £400m in 1989-90 and £340m the following year. But thanks to the success of the Government's right-to-buy policy, this is more than financed by extra receipts.

Fourth, law and order. An extra £290m has been made available in 1989-90 and £430m in 1990-91, principally for a further expansion in the prison building programme. This will provide a further 3,000 places for the police has been increased by £240m.

Defence spending is to be increased by £160m in 1989-90 and £300m in 1990-91. These significant increases are designed to provide a firm framework for the next three years within which our defence programme can be planned with confidence.

So far as the massive social security budget is concerned, lower unemployment has saved more than £1.4bn in both 1989-90 and 1990-91. But substantial increases in planned spending on other benefits, particularly for the disabled, mean that the social security programme will be only marginally reduced in 1989-90 compared with previous plans, and some £1.7bn higher in 1990-91.

increased total. In particular, provision for spending by the Department of Education and Science has been increased by £120m a year, with the science budget up by 16 per cent in 1989-90. This reflects the importance the Government attaches to basic and strategic research.

The new plans imply an overall increase of £2.2bn in public sector capital spending in 1989-90. This includes extra investment in hospitals, housing, prisons, and roads. There is provision for higher investment by the nationalised industries, including further anti-pollution investment by the water authorities.

That the Government has been able to strengthen its priority programmes within an unchanged planning total for 1989-90 is a large measure of the success of its policies.

The improved performance of the economy has eased pressures on a number of programmes, giving the Government more scope than ever before to shift resources where its own priorities, rather than circumstances, dictate.

The details of these and other changes are provided in the material in the Vote Office. More details will be published in the printed Autumn Statement next week.

I turn next to national insurance contributions. The Government has conducted the usual autumn review of contributions in the light of advice from the Government Actuary on the perspective income and expenditure of the National Insurance Fund, and taking account of the statement on benefits which my Rt Hon Friend the Secretary of State for Social Security made on 27 October.

The lower earnings limit will be increased next April to £43 a week, in line with the single person's pension, and the upper earnings limit will be raised to £225 a week. The upper limits for the 6 per cent and 7 per cent reduced rate bands will also be increased, to £75 a week and £115 a week respectively. The upper limit for the 9 per cent rate for employers will be raised to £165 a week.

Over recent years, we have steadily reduced the Treasury Supplement, the taxpayer's contribution to the National Insurance Fund. From 18 per cent in 1979, it now stands at 5 per cent. My Rt Hon Friend and I now propose to carry this policy to its logical conclusion and to abolish the supplement altogether. The necessary legislation will be introduced early in the next session.

will not require any increase in contribution rates. Thus, the main Class I contribution rates will remain unchanged at 10.45 per cent for employees and 9.45 per cent for employers.

Finally, I turn to the Industry Act Forecast. Growth this year looks to be turning out at 4 1/2 per cent, compared with the 3 per cent growth I forecast at the time of the Budget. Investment is particularly strong, growing twice as fast as consumption, with manufacturing investment expected to show the biggest rise of all, at 18 per cent.

Indeed, it is striking that total investment has grown almost twice as fast as total consumption over the whole of the past five years.

The continuing vigour of the British economy is a reflection of the transformation that has taken place in the supply side of the economy; a transformation which has enabled the seven years to 1988 to record a combination of strong and steady growth unmatched since the war.

As a result, unemployment has been falling rapidly. Since the middle of 1986, it has fallen by very nearly 1m - the largest fall on record. Over the past year, unemployment has fallen faster in the UK than in any other major country.

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forecast by £3.4bn. Both income tax and VAT have been particularly buoyant.

In the Budget, I set a Public Sector Debt Repayment - or PSDR - for 1989-90 of £3bn, equivalent to around 3 per cent of GDP. With higher-than-expected government revenues and lower-than-expected public expenditure, this year's PSDR now looks likely to turn out at some £10bn, equivalent to over 2 per cent of GDP.

This will be the second successive year of debt repayment, something that has not been achieved, since records began in the early 1950s. Moreover, this year, the Budget would still be in surplus, by some £4bn, even if there were no privatisation proceeds at all. No other major economy has such success in public finances.

Looking ahead to 1989, the economy - a forecast to grow by a further 3 per cent, with domestic demand also up by 3 per cent. Once again, investment is expected to grow considerably faster than consumption, and once again unemployment is expected to fall.

The slower growth forecast for 1989 inevitably implies a marked deceleration during the course of the year, particularly so far as domestic demand is concerned. Thus, comparing the second half of next year with the second half of this year, overall growth is forecast at 2 1/2 per cent, and growth in domestic demand at only 1 1/2 per cent.

The current account deficit is likely to fall only slightly, to some £11bn, or 2 1/4 per cent of GDP.

Inflation, while it will inevitably continue to edge up for some months to come, is forecast to peak at some point in the middle next year before falling back again to 6 per cent by the fourth quarter.

In short, after two years of unexpectedly rapid expansion, growth next year is forecast to return to a sustainable level, and one which compares well with the economic performance of the 1970s; while inflation will resume its downward path.

Inflat

UK NEWS - THE AUTUMN STATEMENT

Inflation expected to peak in middle of next year

GDP is forecast to grow by 3 per cent in 1989, following growth of 4 per cent this year. Inflation is expected to peak in mid-1989, and fall back by the end of the year.

The forecast assumes that fiscal and monetary policies are operated within the framework of the Medium Term Financial Strategy. It assumes that both North Sea oil prices and sterling remain close to their recent levels.

tries have experienced six years of steady growth, with real GNP growing at an average rate of 3 1/2 per cent a year and the unemployment rate falling by 2 per cent. Growth in these countries is estimated to have increased to over 4 per cent over the past year.

Table 1 shows the forecasts for world trade, activity and inflation in the major seven countries. Real GNP is expected to grow a little less strongly in 1989 than in 1988, with some slow-down in consumer spending.

1987. In 1988 consumer spending is likely to increase by about 5 1/2 per cent, a similar rate to that in 1986 and 1987. The savings ratio is likely to fall to about 3 1/2 per cent.

Table 1 World economy. Percentage changes on previous year. Forecasts 1987, 1988, 1989. Major seven countries: Real GNP, Real domestic demand, Industrial production, Consumer prices.

Table 2 Visible trade. Percentage changes on previous year. All goods, Goods less oil. Export volume, Import volume, Terms of trade.

Table 3 Current account. £ billion. Manufactures, Other, Oil, Invisibles, Current balance. 1987, 1988 Partly forecast, 1989 Forecast.

Table 4 Gross domestic fixed capital formation. £ billion at 1985 prices. Percentage changes on previous year. Forecasts 1988, 1989. Business, Private dwellings, General government.

Table 5 Domestic demand and GDP. Percentage changes on a year earlier. Forecasts 1988, 1989. Domestic demand, Exports of goods and services, Imports of goods and services, Gross Domestic Product, Manufacturing Output.

Table 7 Retail prices index. Percentage changes on a year earlier. Forecasts 1988 Q4, 1989 Q4. Food, Nationalised industries, Housing, Other.

Table 8 Changes in Employment. Thousands, GB seasonally adjusted. Employees in self-employment, Work related government training programmes, Workforce in employment.

Table 9 Output per head of the employed labour force. Annual average, percentage change. 1964-73, 1973-79, 1979-85. Manufacturing, Non-manufacturing, Whole economy, Non-North Sea economy.

Table 10 General government expenditure. £ billion. 1987-88, 1988-89, Latest forecast. Public expenditure planning total, Interest payments, Other adjustments, General government expenditure, Privatisation proceeds.

Table 6 Costs in manufacturing. Percentage changes on previous year. Unit labour cost, Cost of materials, Estimated total unit costs, Output prices. 1986, 1987, 1988 Partly forecast, 1989 Forecast.

Table 11 General government receipts. £ billion. 1987-88, 1988-89, Latest forecast. Taxes on income, expenditure and capital, National insurance and other contributions, Interest and dividends, Other receipts.

Table 12 Public sector debt repayment. £ billion. 1987-88, 1988-89, Latest forecast. General government expenditure, General government receipts, General government debt repayment, Public corporations' market and overseas debt repayment, PSDR.

Table 13 Economic prospects: summary. Percentage changes on previous year unless otherwise stated. 1987, Forecast 1988, 1989, Average errors from past forecasts. GDP and domestic demand at constant prices, Domestic demand of which, Consumers' expenditure, General government consumption, Fixed investment, Change in stockbuilding, Exports of goods and services, Imports of goods and services, Gross domestic product, Manufacturing output.

Table 13 Economic prospects: summary. Balance of payments current account (£ billion), Inflation, Retail price index (Q4 on Q4), GDP deflator at market prices (financial year), Money GNP at market prices (financial year), PSDR (financial year), PSDR as a percent of GDP.

The errors relate to the average differences (on either side of the central figure) between Autumn Industry Act forecasts and outcome over the last ten years and apply to the forecasts for 1989, except for the PSDR where they apply to the forecasts for 1988-89.

Exchange rates between the major currencies have been fairly stable over the past eight months. The dollar/Deutsche-mark rate is close to its level at the time of the Louvre accord.

Manufacturing unit labour costs in the UK have risen only slightly over the past year. Most of the large gain in labour cost competitiveness in 1988 has been maintained.

Non-oil imports have risen very rapidly this year reflecting the strength of domestic demand and capacity shortages in some industries. Non-oil imports are expected to grow by 13 1/2 per cent in 1988.

The terms of trade have improved somewhat over the past year, with the exchange rate more than offsetting the effects of falling oil prices. The terms of trade are assumed to remain broadly unchanged during the rest of 1988 and 1989.

The surplus on invisibles in 1988 is expected to be around £2 billion lower than in 1987. This is largely due to a fall in the balance on services. UK tourists have been spending more abroad and the surplus on financial services has come down due to lower insurance premiums net of claims.

Net earnings from interest, profits and dividends are expected to be unchanged from last year. The deficit on transfers is also expected to be unchanged in 1988 with lower payments to the European Community offset by higher bilateral aid.

Consumer spending is estimated to have risen by 5 1/2 per cent in 1988 and by 5 per cent in 1989. This is considerably faster than the growth in real personal disposable income, and the recorded savings ratio fell from an estimated 9 1/2 per cent in 1985 to 5 1/2 per cent in

1988. The savings ratio should recover slowly during 1988. The housing market has been particularly buoyant over the past year, though the fall in building society mortgage commitments in August and September suggests that the rate of demand is slowing.

The net rate of return of non-North Sea industrial and commercial companies (ICCs) rose for the sixth successive year in 1987, back to levels not seen for almost twenty years. The net rate of return of manufacturing companies rose to just over 9 per cent in 1987, again the highest level for almost twenty years.

Developments so far in 1988 confirm the investment boom predicted by recent CBI surveys and DTI Investment Intentions Surveys. Business investment is expected to rise a little faster in 1988 than the June DTI Intentions Survey suggests.

Growth of the average measure of GDP is forecast to be around 4 1/2 per cent in 1988. It could turn out to be even higher if, as seems likely, the expenditure measure is subsequently revised up. With the forecast slow-down in domestic demand, GDP is expected to rise more slowly in 1989.

The annual rate of RPI inflation has risen since early 1988, in part as a result of the rise in mortgage interest rates. Chart 10 shows that, excluding mortgage interest payments, the increase has been less pronounced, though it has risen from the low levels of 1986 and 1987 which were associated with the oil price fall.

RPI inflation is likely to average 8 1/2 per cent in the fourth quarter of 1988, excluding mortgage interest payments the figure is expected to be 5 per cent. Producer price inflation has also edged up during 1988. Though higher than expected at Budget time, the underlying rate of increase in prices has been lower than in periods of fast demand and output growth in the 1970s.

The underlying increase in average earnings has risen from 8 1/2 per cent at the start of the year to 9 1/2 per cent in August 1988. Pay settlements have edged up as labour markets have tightened, but high overtime payments and performance related bonuses have also played an important part.

Continued on next page

UK NEWS - THE AUTUMN STATEMENT

Inflation expected to peak

Continued from previous page

are expected to rise by just under 1 per cent in 1988. The low growth in costs over the last two years has not been fully reflected in producer output prices. With fast growth in demand, UK manufacturing industry has increased profit margins substantially. The projected slow-down in demand and activity may mean that profit margins will show less growth in 1989, and that unit labour costs will grow more rapidly (because of a likely cyclical slow-down in productivity growth). Producer output price inflation may be only a little less in 1989 than in 1988.

Retail price inflation could rise further during the first half of 1989 before moderating to 5 per cent by the fourth quarter. The fluctuations in the CPI are chiefly the result of past changes in mortgage rates, excluding mortgage interest payments, the inflation path is likely to be much smoother.

The GDP deflator, which measures the price of domestic value added (principally unit labour costs and profits per unit of output), is forecast to rise by 6 1/2 per cent in 1988-89 and by 5 per cent in 1989-90.

Productivity and the labour market

The workforce in employment in Great Britain has continued to rise strongly over the last year: in the twelve months to June 1988 it is estimated to have risen by 440,000 thousand. Since 1983 there has been an increase of over 2 million in the workforce in employment.

Productivity has been growing strongly, with manufacturing productivity now estimated to have risen by 4 1/2 per cent a year on average since 1979.

Underlying growth in labour productivity in manufacturing industry now appears to be higher than the rate experi-

enced in the 1960s. Output per head in the non-manufacturing sector has risen by about 1 1/2 per cent a year since 1979, and by about 2 1/2 per cent a year since 1983.

By September 1988, seasonally adjusted adult unemployment in the UK had fallen for 26 successive months, by some 940,000 in total. The fall in unemployment over the past year is mainly attributable to the strong growth of output and employment. A further, though slower, fall in unemployment is likely over the year ahead. The main threat to achieving this would be excessive pay settlements.

Financial developments

Over the past year, with the exception of a short-lived rise in April and May, the sterling index has varied by less than 3 per cent from its present level. In the nine months to September, the sterling increased by an underlying \$5 billion, net of official borrowing.

The year on year growth of M0 has remained above the top of its 1.5 per cent target range. Increases in interest rates since the summer are expected to slow the growth of M0 considerably over the next six months, although it may not return within its target range by the end of the financial year.

Broad money has continued to grow rapidly. There has been a marked increase in personal and financial deposits, as the stock market crash led to a move away from new investment in equities and unit trusts. Financial innovation and liberalisation continue to contribute to the growth of broad money.

Tables 10 to 12 show both the Budget projections and latest forecasts for general government expenditure and receipts

and the public sector debt repayment. The PSDR in 1987-88 was \$3 1/2 billion, slightly higher than estimated in the 1988 PSBR.

In the first half of 1988-89 there was debt repayment of just over \$3 1/2 billion, compared with public sector borrowing of about \$2 billion in the first half of 1987-88. The revised forecast for 1988-89 as a whole is a PSDR of \$10 billion, 26 1/2 billion higher than forecast in the PSBR. This is due in roughly equal amounts to higher than expected receipts and lower than expected expenditure. The revisions on the receipts side largely reflect the higher than expected growth of money GDP.

Gross debt interest payments in 1988-89 are a little higher than forecast at Budget time because of higher interest rates and inflation (which raises the cost of servicing indebted debt). Higher than expected debt repayment reduces interest payments, but most of this effect will be in future years. The upward revision to the forecast of other adjustments largely reflects a change in the composition of public corporations' net financing which increases general government expenditure but does not affect the PSDR.

The forecast for general government receipts has been revised up by over \$3 1/2 billion since the Budget, most of which is accounted for by higher taxes and national insurance contributions. VAT and income tax are expected to be \$1 billion and \$2 billion higher respectively than in the Budget forecast. Other significant increases come from national insurance contributions and stamp duty, each of which is \$1 billion higher. The higher stamp duty mainly reflects the buoyancy of the housing market earlier this

year. Total interest and dividend receipts are forecast to be \$4 billion higher in 1988-89 than in 1987-88. Within this, dividends are about \$2 1/2 billion lower due to the sale of the government's remaining shares in British Petroleum, and interest receipts are forecast to be \$1 billion higher in 1988-89 than in 1987-88. General government receipts in total are now forecast to increase by 8 1/2 per cent in 1988-89, much the same rate of increase as in 1987-88.

Table 12 shows the Budget and latest forecasts for the PSDR. The forecast is still subject to a wide margin of error; the average error on PSDR forecasts for the current financial year made in the autumn is 1 1/2 per cent of GDP, or nearly \$2 billion. On the basis of this forecast, the budget surplus in 1988-89 will be larger as a proportion of money GDP than in any year since the beginning of the 1960s, the earliest date for which figures on this basis are available.

ANNEX

1. It is difficult to assess how strongly the UK economy has grown over the past two years because of the considerable disparity between the growth rates of the various measures of real GDP. The disparity was particularly marked for the first half of 1988.

2. The output estimate of GDP, which is generally considered the most reliable short-term indicator, grew by 6 per cent in the year to the first half of 1988. The income measure has also shown strong growth. By contrast, the expenditure estimate of GDP grew by only 2 1/2 per cent over the same period. It seems likely that growth in aggregate expenditure has been under-recorded over the past two years, and maybe over a longer period.

3. There are related problems with the current price national accounts figures, reflected in a rising residual error (the difference between the current price income and expenditure measures of GDP), especially in the first half of 1988.

4. At the same time large balancing items have emerged in the sectoral financial accounts. Sectoral balancing items are the differences between net acquisitions of financial assets as measured from financial data and as measured from national income and expenditure data. The sum of the balancing items is equal to the difference between the income and expenditure measures of GDP.

5. There is little information on the nature or size of the errors in the income and expenditure or the financial accounts that give rise to these large balancing items.

6. In 1987, the balancing item for the personal sector was equal to about 8 per cent of personal disposable income. This indicates that the personal sector may have acquired far more financial assets than the recorded national income and expenditure estimates imply. It is also consistent with some under-recording of personal sector income and, hence, savings.

7. The large overseas balancing item in the first half of 1988 (about \$7 billion) indicates that there were either unrecorded net credits on the current account or unrecorded net capital inflows or, most likely, both. To the extent that it reflects unrecorded net credits (ie net visible exports or invisibles) the true current account deficit would be lower than the recorded figure.

8. The balancing item for the industrial and commercial companies sector may imply some under-recording of spending on investment and stocks or unrecorded trade credit extended to other sectors. If net exports and company sector capital spending were higher than the recorded figures indicate, that would go some way to correct the sluggish behaviour of the recorded expenditure measure of GDP relative to the other measures.

9. The forecast for 1989 makes some allowance for a further rise in the average estimate of GDP relative to the expenditure measure, though much less than in 1988.

TABLE 14 CROSS DOMESTIC PRODUCT AND ITS COMPONENTS

Table with columns: Year, Consumers' expenditure, General government consumption, Total fixed investment, Exports, Change, Total final expenditure, Less imports of goods and services, Less adjustment to factor cost, Plus statistical adjustment, GDP at market prices, GDP Index (1985=100).

Per cent changes 2

Table with columns: Year, Consumers' expenditure, General government consumption, Total fixed investment, Exports, Change, Total final expenditure, Less imports of goods and services, Less adjustment to factor cost, Plus statistical adjustment, GDP at market prices, GDP Index (1985=100).

The GDP figures are averages of constant price output, expenditure and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to the nearest half per cent. Figures for 1988 and beyond are forecasts. In the year to 1988, the expenditure measure grew by 6 per cent compared with 4 1/2 per cent growth for the income measure and 8 per cent for the output measure. It is likely that the expenditure measure and, consequently, the average measure both underestimate recent growth.

2 Changes as a percentage of GDP for stockbuilding and statistical adjustment

Public Expenditure Plans

Table 1 Public expenditure trends

Table with columns: Year, Cash, Real terms, General government expenditure (excluding privatisation proceeds), Money GDP, General government expenditure (ex. privatisation proceeds) as % of GDP.

AFTER the Chancellor had presented his autumn statement, the Treasury presented the accompanying series of tables detailing the Government's public expenditure plans.

The Treasury said that a fuller account of the new plans would appear in the printed autumn statement which is to be published on November 8.

As indicated in the white paper 'Financial Reporting to Parliament' the section on public spending in the printed autumn statement will be expanded so that it includes nearly all the information previously found in Chapter 1 of the public expenditure white paper.

The role of the white paper, which will appear early in the new year, will be principally to spell out the details of individual departmental programmes.

The individual chapters will be bound separately rather than published as one large volume covering all departments. This will provide a stepping stone to the eventual production of departmental reports to replace the white paper, a development which a number of select committees have promoted; and it will also enable those whose interest is confined to a particular department to obtain only that chapter.

Table 7 appears on next page

Table 6 External financing limits for the nationalised industries 1989-90

Table with columns: Industry, 1989-90, 1990-91, 1991-92.

Table 4 Local authority spending

Table with columns: Latest estimates of outturn, New plans, Change 1988-89 to 1989-90, 1989-90 plans, 1990-91 plans, 1991-92 plans, 1988-89, 1989-90, 1990-91.

Table 2 Public expenditure

Table with columns: Latest estimates of outturn, New plans, Change from January 1988 white paper, 1987-88, 1988-89, 1989-90, 1990-91, 1991-92, 1988-89, 1989-90, 1990-91.

The rounding and other conventions used in this table and Tables 3, 4 and 5 are as follows: plan figures are rounded to the nearest £10 million, except for actual expenditure which are rounded to the nearest £100 million. In the case of general government expenditure, this does not apply. Accuracy in this column. Debt interest and other national accounts adjustments for future years are rounded to the nearest £200 million. Outturn figures for 1988-89 have also been rounded to the nearest £100 million. The changes and totals are based on the rounded figures, and may therefore differ from the changes and totals of the rounded figures in this table and Tables 3, 4 and 5. Some figures may be subject to detailed technical amendments before the publication of the 1989 public expenditure white paper. Plans set out in the last public expenditure white paper (Cm 255) adjusted for changes of classification and definition. Changes include a transfer from the Department of Employment to the Department of Social Security of £20 million in 1989-90 and £20 million in 1990-91 to cover certain increased expenditure on administering benefits for the unemployed. Includes Water Services Office. Legal expenditures comprise the Lord Chancellor's Department, the Northern Ireland Court Service, the Crown Prosecution Service, the Crown Prosecution Office and the Crown Office. An adjustment for the difference between the assessment of the State's liability for 1988-89 and the sum of the other items above.

Table 3 Central government spending

Table with columns: Latest estimates of outturn, New plans, Change from January 1988 white paper, 1987-88, 1988-89, 1989-90, 1990-91, 1991-92, 1988-89, 1989-90, 1990-91.

Table 8 Public expenditure in real terms (1) by department, 1978-79 to 1991-92

Table with columns: 1978-79, 1982-83, 1983-84, 1984-85, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91, 1991-92.

Table 5 Public Corporations

Table with columns: Latest estimates of outturn, New plans, Change from January 1988 white paper, 1987-88, 1988-89, 1989-90, 1990-91, 1991-92, 1988-89, 1989-90, 1990-91.

1 See footnotes to Table 2. Figures exclude finance for public corporations. 2 The breakdown of the Scottish, Welsh and Northern Irish expenditure in central government, local authorities and public corporations is based on previous patterns of expenditure and may be varied, except in the case of local authority interest expenditure in 1988-89, where the provision for Scotland and Wales is as announced in July in the 1988 autumn statement for that year.

UK NEWS - THE AUTUMN STATEMENT

EDUCATION

Science budget to rise by 16% next year to £20bn in 1990-91

THE DEPARTMENT of Education and Science issued the following statement after the Chancellor had set down.

Planned local authority current expenditure in 1989-90 to exceed the Government's plans for expenditure in 1988-89 by more than 7 per cent.

Supporting the implementation of the Government's school and college reforms; and Planned local authority current expenditure up by 29.4m in 1989-90, or 7.2 per cent over plans for 1988-89.

ferred next April to the PCFC sector, prescribed courses of higher education in colleges remaining with local authorities and certain payments to local authorities in respect of former staff of transferred institutions.

Universities The plans allow for an increase of over £100m in the funding over three years for the universities. Allowing for the completion in 1990-91 of the £155m three year restructuring programme agreed last year and some £20m provided for the associated continuing costs in 1991-92.

Local authority current expenditure in 1989-90 to exceed the Government's plans for expenditure in 1988-89 by more than 7 per cent.

Further and Higher Education The student-staff ratio (SSR) in further education is assumed to tighten from 8.8:1 in 1987-88 to 9.4:1 in 1989-90.

Local authority and voluntary school capital expenditure Capital allocations to LEAs in 1989-90 will be £352m, broadly at the same level as in 1988-89.

Commenting on the increase, Mr Baker said: "This substantial increase reflects the importance the Government attaches to basic and strategic science. We are making a massive new investment in British science."

The total increase in the Government's plans for expenditure on education and science in 1989-90 is £1,600m. This is an increase of nearly 9 per cent on plans for expenditure in 1988-89.

The Science Budget over the period 1989-90 to 1991-92 to strengthen the UK science base in higher education and the Research Councils. This substantial increase reflects the importance the Government attaches to basic and strategic science.

6. The plans allow for current expenditure of £1,035m and capital expenditure of £24m in 1989-90 by the Polytechnics and Colleges Funding Council (PCFC).

7. Within the total of current expenditure, I am allowing for an enlarged restructuring fund of over £20m over three years to help institutions attain affordable levels of staffing.

17. The total provided for local authority current spending on education in 1989-90 in the Government's plans is £14,070m. This figure reflects an appropriate transfer of resources from provision for local authorities to enable the Government to provide funds for polytechnics and colleges transferring from local authorities.

18. The plans allow for substantial real increases in spending per pupil on education support staff, administrative and clerical staff and books and equipment.

21. The new provision will allow for a school place in 1989-90 for every child of compulsory school age. This will help schools to provide for the introduction of the national curriculum.

Mr Baker also told the House of Commons that the new plans included: An extra £14m for equipment for basic science in Research Councils and universities to be spent immediately in 1988-89.

Over £1,100m in 1989-90 for the new polytechnics and colleges sector which "should ensure that the new sector starts on a sound financial basis".

Over £1,100m in 1989-90 to support the implementation of the Government's school and college reforms.

Over £500m over three years for specific programmes in research science in the universities; and More than £500m over three years for specific programmes supporting the implementation of the Government's school and college reforms.

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PUBLIC EXPENDITURE

Housing outlay to rise by 12% to £441m

THE Department of the Environment issued the following statement after the Chancellor had set down.

Mr Nicholas Ridley, Environment Secretary, gave details of his department's public expenditure plans for the next three years.

Key points are: Gross provision for housing capital expenditure in 1989-90 will be £441m (12 per cent) higher than previously planned.

Department's Estate Action Programme, of £190m - an increase of 36 per cent. In addition the overall level of spending proposed for Housing Action Trusts for their first three years of operation in revitalising major concentrations of former local authority housing is now set at nearly £200m.

Investment by the RWAs has increased in constant price terms by over 50 per cent since 1980-81 and is currently running at £1.1bn. Further growth is now expected to improve water and sewage treatments to speed compliance with UK and EC legislation.

PSA's civil accommodation programme is planned to increase by a net £25m in 1989-90 and £16m in 1990-91 compared with previous plans.

Overall local authority expenditure, England For 1989-90 I have announced provision for local authority housing in England of £2,914.0m. This represents an increase of 4.5 per cent above local authorities' budgets this year and is a cash increase of £140m on the figure shown in the Public Expenditure White Paper (Cm 925).

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Planned resources for Urban Development Corporations will be increased by 27.7m next year and by 24.4m in 1991-92.

City Grant for inner city development will rise to £750m in 1991-92, compared with £324m this year.

Local authorities increasingly concentrate their capital expenditure on renovation of their own stock, and on grant aid to private owners of run down housing. I support these priorities.

Provision in 1989-90 for local authority capital spending is being increased by £396m to £3,306m, an increase of 13.5% on previous plans.

The level of housing capital receipts is now expected to rise to well over £2bn in each of the next three years.

The National Rivers Authority will take over the water authorities' regulatory responsibilities in Autumn 1989, which will make for much better control after the privatisation of water and sewerage functions.

The extra cash we are putting in, together with continuing improvements in Health Service efficiency, will enable services to be expanded by significantly more than is necessary to take account of the growing numbers of elderly people, while enabling health authorities to plan to bring

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Housing

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Table 7 Public expenditure by department, 1978-79 to 1991-92

Table with 12 columns representing fiscal years from 1978-79 to 1991-92 and multiple rows for various departments including Ministry of Defence, Home Office, and Education and Science.

See footnotes to Table 2. Estimated

UK NEWS — THE AUTUMN STATEMENT

LAW AND ORDER

More prison places and police manpower

THE Home Office issued the following statement after the Chancellor sat down.

The Chancellor's statement announces additional provision to allow for the following developments:

- Creation of 3,000 prison places over the next three years in addition to the existing building programme.
- A programme to reduce pressure on prisons including new bail hostels and the development of more intensive forms of probation, intended to save about 1,000 prison places.
- An increase of 1,100 in police manpower establishments in 1989-90 and for over 1,300 more civilians, so releasing officers for operational duties.
- Improved levels of service to the public in the Immigration and Nationality Department.
- Improved enforcement of immigration laws.

These developments will be made possible by the following increases in provision for Home Office services: 1989-90, £610m, 1990-91, £760m, bringing the totals to £6,900m for 1989-90 and £7,220m in 1990-91, and with £7,390m provision for 1991-92.

But there are also increases in receipts, offsetting savings and substantial improvements in efficiency. And the search will continue for value for money in Home Office services.

Prisons

For the second year running the settlement includes substantial additions to the baseline for the Prison Service, amounting to £240m in 1989-90, and £360m in 1990-91. Set against baselines of £900m in each of these years this represents an average increase of 33 per cent.

The extra provision in the settlement will allow for the further expansion and acceleration of the prison building programme, enabling an additional 3,000 places to be produced over and above the 7,000 already planned in the next three years.

It represents further evidence of the Government's determination to cope with an increasing prison population and to alleviate overcrowding. Additional money will also be used to provide the staff and other resources needed as a consequence of the additional places, taking into account planned efficiency savings arising as a result of Fresh Start and other initiatives.

Diversion from prison

In tandem with the prison building programme, a package of measures is to be implemented to reduce the pressure on prisons. They include:

- 500 additional places in bail hostels for people facing trial who might otherwise be remanded in custody because of lack of fixed address.
- 20 new bail-information schemes to ensure courts have all information relevant to the decision whether to grant bail.
- Development of more intensive forms of probation, as proposed in the green paper Punishment, Custody and the Community, including provision for 30 new day centres.

It is hoped that, together, these measures will reduce demand on prisons by about 1,000 places in 1991-92.

Police

Provision is made for increases in police establishments of 1,100 in 1989-90, together with substantial civilian recruitment.

This represents an increased rate of growth in the final year of the police manpower programme announced by the Home Secretary in 1986. A fresh programme of substantial increases will follow for 1990-91 onwards.

Additional police posts are needed particularly to deal with demands imposed by problems of public order, drugs and terrorism.

In addition, civilisation is being pursued because it frees uniformed officers for operational duties.

The provision will allow police officer establishments to rise to an average of 125,650 in 1989-90 and average civilian strength to rise to 43,740.

Provision is also made for improvements in police training including the introduction of a new-style course for probation officers.

Immigration and Nationality Department

There are substantial increases in provision for the Immigration and Nationality Department.

Together with improvements in efficiency, including higher productivity and streamlined working methods, this will allow for extra staff to improve levels of service to the public by eliminating or much reducing existing backlogs.

Specifically, it is planned to deal with all citizenship applications in the transitional registration category by the end of 1989-90, and substantially reduce arrears of after-entry immigration casework.

A major programme is also planned on immigration enforcement, intended to increase substantially the number of offenders and overstayers brought to book. Efficiency improvements should ensure that this is increased without a corresponding increase in manpower.

There is also provision for additional manpower for the forensic science services and the fire and police inspectorates, and for civil defence, action against drugs and fire-precautions publicity.

COURTS

Increased provisions to reduce waiting lists

THE Lord Chancellor's Department issued the following statement after the Chancellor had sat down.

The Chancellor of the Exchequer's Autumn Statement today includes the provision for the programmes administered by the Lord Chancellor's Department.

The figures represent net increases of £30m and £40m a year over previous plans for 1989-90 and 1990-91 respectively.

They reflect increased provision for both court services and legal aid in England and Wales. This demonstrates the Government's commitment to the law and order programme in the face of continuing growth in all areas of business.

Current plans are based on expected increases in workload of approximately 8 per cent a year in the crown court and 3 per cent in the civil courts.

The overall objective in the crown court is at least to stabilise and, if possible, reduce waiting times. In the civil courts targets have been set for time taken to deal with different areas of administrative work. The achievement of these objectives is dependent upon continuing productivity increases in both the criminal and civil courts and the implementation of initiatives such as the civil justice review, one of whose objectives is to achieve greater efficiency and effectiveness in the handling of civil business.

This provision also reflects the Lord Chancellor's responsibility for capital spending on court buildings. The main thrust of this will be on the provision of sufficient courtroom accommodation to help achieve his objectives. About 65 additional court rooms are planned for the survey period.

The provision for legal aid expenditure which represents over two-thirds of net expenditure takes account of growing workloads. It covers expenditure on criminal and civil legal aid, legal advice and assistance and the duty solicitor schemes. A new legal aid board will take over responsibility for the administration of legal aid from the Law Society with effect from April 1 1989.

TRANSPORT

Extra investment to meet higher demand

THE Department of Transport issued the following statement after the Chancellor had sat down.

Mr Paul Channon, Transport Secretary, said: "Increased investment is the keynote of our public spending plans for transport. Our policies have brought steady economic growth and rising prosperity. This means increased demand for transport. More people are travelling by rail, metro and bus, more are taking to the roads, and civil aviation is expanding. We must invest in our transport infrastructure to cater for this demand, and to improve the condition of local roads."

National roads

We plan to spend nearly £300 over the next three years on the motorways and trunk roads. After allowing for the application of VAT to new construction from April 1 1989, this represents an increase of 40 per cent on our spending in the previous year. Altogether £1.3bn will be spent on road maintenance.

This very large increase shows our determination to press ahead with our new construction and maintenance programmes to cater for growing traffic demand and stimulate future economic development.

Over 40 new schemes, including 18 bypasses, will be started next year, amounting to over 200 miles of new roads. We have released £20m from the reserve for maintenance work this year to speed up the extra resources for the next three years to ensure that we can resume progress towards our target of eliminating the maintenance backlog by 1992. We are also increasing resources for bridge renewal and strengthening to cater for today's growing volume of traffic.

Local roads, public transport and airports

Our plans over the three-year period allow for local government to increase its investment on roads, public transport facilities and airports by well over £100m. Included are

Anxiety for academics

A SHARP RISE in the science budget and continued growth of local authority current spending underlie increases in the amount allocated to education and science, announced by the Government yesterday.

However, spending on the universities is forecast to stand still in real terms, which could fuel mounting dissatisfaction among academics.

The budget for education and science in 1989-90 now stands at £19,570m. This is about 6.4 per cent up on the expected final figure of £18.4bn for 1988-89, which itself represents a £500m over-spend on the estimates announced for this year in the 1988 public spending White Paper.

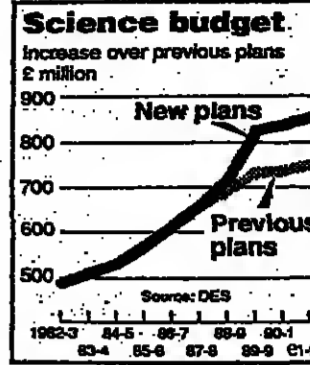
Mr Kenneth Baker, Education Secretary, said: "We have got a good deal for education next year."

However, Mr Jack Straw, Labour's education spokesman, criticised next year's plans as representing a standstill in real terms compared with this year's expected outturn, because of rising inflation.

An extra £100m is to be spent on science projects in each of the next three years. This represents a 13 per cent increase in the planned science budget for next year to £825m, reflecting what Mr Baker described as the importance attached by the Government to basic science.

He said he would announce shortly the detailed allocation of this extra money, but indicated that one priority was for extra environmental research on areas such as the ozone layer. An extra £10m is to be spent immediately on equipment for basic science.

Local authority current spending on education is forecast to increase by 7.2 per cent to £9,400m next year, including an assumed 5.1 per cent increase in the school pay bill. The Government says this will allow more to be spent on



books, equipment and administrative staff to support the introduction of the Government's educational reforms.

"Start-pupil ratios in schools are to be held steady, which will mean a cut in teacher numbers as rolls fall.

An extra £38m, or 9 per cent, is being made available for local authority capital spending, which ministers believe will help to tackle the backlog of work on inadequate school buildings.

The polytechnics, due to become independent of local government, have been given £1.12bn for next year, a 18 per cent increase, after which their funding is forecast to remain stable. More than £20m is allocated over three years to help reduce their staffing and £80m is earmarked for equipment.

At the universities, however, current and capital spending is forecast to grow next year to £1.81bn at the rate of 5.4 per cent, broadly in line with inflation.

This amount, which is intended to cover next year's university pay settlement, could result in discontent among university lecturers, since their union is already angry about the failure to award them a pay increase in the current financial year.

David Thomas

Extra £370m over next two years for building programme

THE HOME Office issued the following statement after the Chancellor had sat down.

An extra £370m over the next two financial years to allow for the further expansion and acceleration of the prison building programme is included in this year's public expenditure settlement.

The settlement will enable an additional 3,000 places to be produced over and above the 7,000 already planned in the next three years. It represents further evidence of the Government's determination to cope with an increasing prison population and to alleviate overcrowding.

The additional places will be provided through a combination of new prisons and additions to existing establishments and taken together with the existing programme, will result in over 25,000 new places being made available by 1995. Of those, 17,000 should be in use by 1993, and some significantly earlier than that. About 6,000 new places have already been provided since 1979.

Expansion of Existing Prisons

Work already in progress to provide new places at existing establishments includes the construction of ten 100-place houseblocks at Dover, Featherstone, Littlehey, Glen Parva (two), Full Sutton (two), New Hall, Stocken and Wayland.

Refurbishment and Redevelopment Schemes

The programme includes capital projects at other existing Victorian establishments. Many of those schemes involve refurbishment and modernisation of living accommodation, including the provision of integral sanitation, as well as the provision of extra places.

New Prisons

Eight new prisons have already opened, and another 18 are at various stages of planning, design and construction. At least two further prisons will be provided from the new money available which may also be used to finance some purpose-built remand centres.

N Ireland spending to rise

THE OVERSEAS Development Administration issued the following statement after the Chancellor had sat down.

The public expenditure plans published by HM Treasury show that the provision for the Northern Ireland programme has been set at £5,470m in 1989-90, at £5,630m in 1990-91 and at £5,910m in 1991-92.

These compare with the forecast outturn of £5,170m for 1988-89 and provide for increases over previous plans of £140m and £180m for 1989-90 and 1990-91 respectively.

COLONIAL SERVICE PENSIONS

Increase in benefits for up to 6,000 ex-officers

THE Overseas Development Administration issued the following statement after the Chancellor had sat down.

Sir Geoffrey Howe, the Foreign Secretary, said: "The Government announced that following the Autumn Statement public expenditure, up to £6m a year is to be made available for Colonial Service pensioners."

This new assistance will benefit those officers who joined the Colonial Service immediately after the Second World War. As many as 6,000 of these pensioners will be eligible for an enhancement to their pensions, financial provision having been made under the Overseas Superannuation Vote administered by the Overseas Development Administration.

I am absolutely delighted that this longstanding problem has now been resolved. I know that it has been of considerable concern not only to the pensioners themselves but also to many Members of Parliament.

This new provision means that the pensioners will benefit by being able to count their War Service towards their Colonial Service pensions.

The new arrangements come into effect from April 1 1989.

The vanishing mountain

REFORMS to the European Community's common agricultural policy, together with the effects of the US drought, are expected to bring substantial savings to spending on agriculture.

The savings over earlier forecasts are expected to amount to £300m in the current year, £420m in 1989-90 and £400m in 1990-91 on total agricultural budgets of £2.2bn, £2.24bn and £2.44bn respectively. The newly published figure for the 1991-92 farm budget is £2.62bn.

By far the larger part of the savings are to come from that part of the Ministry of Agriculture, Fisheries and Food's budget which is ultimately paid for from Brussels.

According to Mr John MacGregor, Minister of Agriculture, the savings are principally due to reform of the EC regime covering cereals, as well as decisions taken over the last four years which have substantially cut both milk production and dairy surpluses.

Mr MacGregor said in an interview yesterday that the £300m cuts expected this year were almost entirely due to the lower than forecast levels of purchases into public storage of cereals and dairy products. It was now clear that the food mountains which built up in the early 1980s were vanishing, he said.

However, he also acknowledged that the US drought, by driving up cereal prices on world markets and thus cutting the amount of subsidy

Brussels has to pay to make EC exports competitive, is also an important factor.

However, yesterday's statement shows that the domestic farm budget will increase over the next three years by some £40m. This is partly because of a planned new £20m-£25m programme to rebuild the 40-year old food defence works on the east coast and partly because such programmes as establishing environmentally sensitive farming areas are proving more expensive than originally forecast.

The Autumn Statement for the first time confirms that controversial cuts in what the Government terms near-market agricultural and food research will amount to some £90m by 1991-92. This is in addition to reductions amounting to some £60m which have been working their way through the system since 1985. Together they could effectively halve the farm R&D budget.

The cuts have caused consternation in the farming industry but the Government hopes that industry will fund some of the abandoned projects. Most of the savings will go to meet the increase in the science programme also announced yesterday, although "strategic" agricultural research, including the environment, biotechnology and animal and plant health will have an extra £7m over the next four years.

Bridget Bloom

WOODLANDS

Research to cost £2.4m

THE Ministry of Agriculture issued the following statement after the Chancellor had sat down.

Mr John MacGregor, Minister of Agriculture, has announced a programme of new research on farm woodlands to cost £2.4m in 1988-89, a threefold increase on the 1987-88 figure of about £800,000.

Speaking on behalf of the three Forestry Ministers, Mr MacGregor said: "The farm woodland scheme, which I announced earlier this year, will involve farmers in some untried techniques and will inevitably also raise environmental issues different in character to those of traditional forestry."

We therefore asked the forestry research co-ordination committee to identify a number of promising fields in which to commission studies.

In particular we need to know more about the breeding and selection of plants, the establishment and maintenance of farm woods, their protection from animals and diseases and the conservation and management of fauna and flora and effects on soil and water.

A variety of sponsors are expected by the committee to spend in the order of £2.4m in 1988-89, of which about £1m is attributable to my department's research budget. Other sponsors will include the Forestry Commission, the Department of Agriculture and Fisheries for Scotland, the Welsh Office Agriculture Department, the Department of the Environment, the research councils and other agencies.

CAP savings '£400m'

THE Ministry of Agriculture issued the following statement after the Chancellor had sat down.

Savings averaging £400m a year have been achieved through major reform of the common agricultural policy of the EC and partly as a result of the drought in North America and the low UK harvest. This is the second year running that planned expenditure has been cut.

Extra government funding of more than £25m a year is being provided for a long-term programme of flood prevention works. More money is to be directed into basic and "public good" research instead of near-market research and development, which is of direct benefit to industry.

The Agricultural Development and Advisory Service (ADAS), which now has more than 55,000 customers, is to set a new target of achieving 50 per cent recovery of the cost of its advisory services by 1993-94.

Record receipts

THE SALE of British Steel could raise £1bn in 1988-89, pushing total Government privatisation receipts for the year to a record level.

The Autumn Statement raises the forecast for privatisation proceeds in 1988-89 to £5bn from the £5bn predicted in the budget.

The extra is accounted for entirely by the British Steel sale. This is expected by analysts to raise about £2.5bn spread across two financial years. In 1987-88 the Government raised £5.2bn through privatisation proceeds.

The £1bn expected this year from British Steel suggests that if the two instalments are split equally the total raised may be less than analysts previously thought.

Ralph Atkins

Even before details of the sale were announced, revenues from privatisation were approaching the £5bn Budget forecast. Money has been raised from the sales of British Gas, BAA, British Petroleum and British Telecom.

For the financial year 1989-90 the Government has again set a forecast of £5bn from privatisation sales.

Q. WHY IS A BOMBAY BUS TICKET WORTH \$10,000?

A. HAWALA

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UK NEWS - THE AUTUMN STATEMENT: Analysis

Economic Forecasts

A plea for fallibility

MR NIGEL LAWSON, the Chancellor, in one of the more memorable segments of his recent television interview with Mr Brian Walden, said he always issues a "health warning" when he forecasts the economy that parliament must be prepared to accept the possibility that he is wrong.

However, as Mr Lawson reminded the Commons yesterday, he is required to make forecasts. The one he produced shows that he comes from the "crash through, or crash" school of economic forecasting. It paints a most optimistic outlook for the British economy and is built on faith that there really has been a productivity and supply-side "miracle" in the UK during his chancellorship.

Interest rates will have to work in cooling domestic demand (and it appears as if the Treasury has assumed only a small fall in mortgage interest rates in 1989).

Exports will have to pick up once domestic demand moderates. Pay settlements will have to remain at current levels in the face of a worsening outlook for inflation.

All these may happen, but the risks are that interest rates will have to go higher. The Chancellor is forecasting growth in consumer expenditure of 2 1/2 per cent next year and although that represents 2 percentage points of expenditure growth less than his forecast for this year it may have to be lower still if his forecast for trade is to come true.

Next year's trade performance is forecast as exceptional. Total export volume grows by 7 per cent, while import volume growth moderates to 5 per cent.

Here is the essence of the "soft landing". The forecast is built on the premise that it is excessive domestic demand which has not only sucked in a lot of imports but has also led domestic producers to divert goods from export to home markets. As growth in the home market moderates, UK industry increases its exports to the rest of the world.

Mr Lawson's forecast for the current account shows a decline to £11bn next year from this year's £13bn. Both this year and next the UK's share of world trade falls.

FORECAST FOR THE UK ECONOMY. Treasury Autumn Statement, CMA (Consensus)

THE TREASURY'S assumed path for the gross domestic product deflator, the best measure of domestically generated inflation, is for it to peak at 6 1/2 per cent this financial year, fall to 5 per cent in 1989/90 and to 3 1/2 per cent the year after.

Other points. BRITISH DEFENCE spending will decline in real terms in the next financial year, compared with earlier official projections of a levelling-out and recent speculation about extra funding. But Mr George Younger, the Defence Secretary, emphasised that plans announced yesterday envisaged bigger real-terms increases totalling 3 per cent over the following two years, writes David White.

Others, especially those in industry and City, may well want to disagree with this current forecast (although all would agree with the analysis appended to Mr Lawson's economic statement on the economic state-of-the-nation).

Growth this year of 4 1/2 per cent slows to 3 per cent next year; domestic demand growth halves from 6 per cent this year to 3 per cent next; inflation, which ends the year at 5 1/2 per cent, ends 1989 at 5 per cent and continues to fall in the years ahead; unemployment continues to fall; and there is a remarkable turnaround in export performance and an equally dramatic drop in imports.

This is a forecast for a "soft landing" of the economy that depends on a turnaround in UK trade performance.

Mr Lawson's forecast for the current account shows a decline to £11bn next year from this year's £13bn. Both this year and next the UK's share of world trade falls.

Water. FURTHER steep rises in water charges for both commercial and private customers are confirmed in the Chancellor's statement.

Mixed news for housing. ON THE surface the Government appears to have been generous in increasing housing expenditure provisions by 12 per cent or £411m to £4,206m in 1989-90, writes Andrew Taylor.

Roads

Boost for M-ways

THE CHANCELLOR announced plans to spend an extra £630m on motorways and trunk roads over the next two years. The budget for 1989-90 will rise by £200m to £1,310m, and the 1990-91 budget will be £1,400m, which is £240m higher than the White Paper forecast. But the figures include an allowance for VAT of £70m next year and £90m in 1990-91 which will become payable on construction projects in April.



Water charges up

Water tariffs are set to rise by more than the annual rate of inflation in the foreseeable future, partly because the Government argues that charges are too low to begin with, and partly because the water authorities face heavy capital expenditure programmes to improve the quality of drinking water and sewage treatment.

Prisons. THE CAPITAL expenditure programme is planned to increase to £1,200m next year compared with £1bn planned for this year. In addition the Government will be attempting to raise more money from capital land and property sales.

Health & Social Security

Patient out of intensive care

"QUITE SPECTACULAR" was how Mr Kenneth Clarke, the Health Secretary, described yesterday's announcement of increased spending of £2.26bn on the UK National Health Service (NHS) for next year.

Cash for prisons

IN THE face of growing criticism about overcrowding in the prison system, the Government has decided that over the next two years, an extra £370m will be spent on the prison building programme.

Jobless bill down

THE REDUCTION in the number of young people entering the labour market and falling employment have led to a projected 15.3 per cent cut, in real terms, in the Department of Employment's budget by 1991-92, writes Charles Leadbeater.

NI supplement to end

THE STANDARD National Insurance contributions rates applicable from next April remain unchanged for the seventh successive year at 9 per cent for employees and 10.45 per cent for employers, writes Eric Short.

Political Assessment

A great salesman presents his latest model

THE REMOURE that Mr Nigel Lawson will never be able to find a decent outside job to follow his spell as Chancellor of the Exchequer should be scotched at once. He is quite clearly the world's greatest salesman. Anyone would buy a new car, or a new anything, from Mr Lawson. He could sell a British Rail snack-bar to the customers of the Tour d'Argent.

It certainly looked good in the showroom last night. Without spending any more money overall, the Government was about to spend much more money on the National Health Service, prison-building, roads, defence and other programmes dear to the back-bencher's heart.

He could go on doing so indefinitely, or at least until one of his statements came apart in his hands. When he rose at 3.30pm yesterday afternoon his reputation was some distance away from that of the star of the Cabinet who had presented such an astounding Budget just half-a-year previously. There were doubts in the air. Were the things that seemed to be going wrong merely technical hitches, or had he sold us a pup? When he sat down he had the air of a man who had seen the doubters off. Maybe he has. It all depends on whether this latest model keeps running without overheating (perhaps in the public sector pay round) or jerking wildly about (under more interest rate changes) until next spring. The customers are developing beady eyes.

Whitehall's rents up

EXTRA SPENDING by the Property Services Agency, which handles most of the government's departmental accommodation needs, reflects both the higher cost of office premises and a need to fund an accumulated backlog of urgent maintenance, writes Paul Cheswright.

MANAGEMENT

Product re-design

Flymo finds a fresh cutting edge

Christopher Lorenz concludes his series on companies in the north-east of England by examining the lawn-mower maker's volte face in its continental marketing strategy

To millions of gardeners in Britain, the name "Flymo" is synonymous with hovering. Of all the powered lawn-mowers sold in the UK last year, over a third were the characteristically orange machines made by the County Durham company of that name — an abbreviation of "flying mower".

For most of its 24-year life, Flymo — one of the world's largest lawn-mower makers though it has only 400 employees — has spent heavily on trying to persuade the rest of Europe to catch the British habit.

But, like countless other European companies which are now confronting the supposedly imminent "single market", it has finally accepted that the product to which it owes its existence will never sell on the Continent in really mass-market volume. It may achieve reasonable scale in a few countries — Flymo's market share is 10 per cent or more in France, Denmark, the Irish Republic, the Netherlands and Norway — but it is unlikely to capture more than a small niche position elsewhere.

Instead, Flymo has started making the sort of conventional "wheeled rotary" mowers which most continentals still prefer. The first machine of this type which it has designed for pan-European tastes is just going into production and will be launched in the spring. By then a quarter of Flymo's mower output will be non-bover products.

This revolution, which has so far gone largely unnoticed by the public, has required much more than a private "recanting of religion", in the words of Les Evans, Flymo's managing director. For, as part of the Swedish-owned Electrolux group, Evans and his team had to fight hard to convince their superiors that the traditionally independent Flymo had become sufficiently European-minded to be designated sole source — and main continental brand — for the new range of machines. This required the resolution of a potential demarcation dispute with another Electrolux lawn-mower offshoot, Husqvarna. In a different sense, too,

Flymo is still involved in internal wrangles with several other Electrolux companies, through which it is now trying to channel most of its continental mower sales and distribution.

"Except in France, our sister companies don't breathe the mass marketing in the way we do," says Geoff Harrop, the marketing director. "They still think in terms of specialist dealers." Flymo is working hard to educate them, but in some cases has had to threaten to remove its business — it has done so in Italy.

Distribution differences across Europe are one of five main reasons for Flymo's limited continental success with hover mowers. The others are: the degree of local competition; Flymo's slow development of such product features as automatic grass collection; the size of gardens; and, especially in southern Europe, weather and grass conditions.

What might have been expected to be a sixth — differing technical standards for electric voltages, blade stopping times, and so forth — have not constituted much of a barrier. "They haven't affected our success because all our competitors have had to cope with them too," says Evans. So the gradual harmonisation of some of these standards by 1993 will have only a slight competitive effect.

Of the five factors, weather and grass conditions are probably the least important. Flymo claims its hover mowers work perfectly well throughout Europe except in the south; there, grass conditions tend to dissipate the "hover" effect.

Far more important is the average size of garden. The basic Flymo design has always been aimed at smallish British gardens, not the tennis-court expanses beloved of many Germans, and especially Norwegians and Swedes, which require larger machines. As its success in France and parts of Scandinavia shows, however, Flymo has been able to compensate for these market barriers to some extent where distribution and promotion patterns have combined in its favour. In France, as in Britain, it has been able to reinforce sales through large

retail chains by demonstrating the hover's effectiveness via national television advertising.

In West Germany, on the other hand, mower distribution is still very much in the hands of specialist dealers, and TV advertising is both expensive and officially restricted in volume. Unfortunately for Flymo, most other European countries are — or have been — closer to the German than the Anglo-French pattern.

As a result, the company's export efforts in the 1970s and early 1980s were both costly and not particularly effective.

"We behaved way beyond our

capability and our sales," says Harrop. "If you're a niche company in a particular market, you shouldn't spend millions on TV."

This would have been expensive enough if dealers had given the product their full support. They tended not to, Harrop says. "The problem was that we expected dealers loyally to follow through our sales programme, including demonstrations that hovering actually works, when they found it far easier to sell conventional products." Whereas Flymo was promoting the hover as a mass market product, many dealers were recommending it only for gardens with humps and slopes.

The recalcitrance of many continental dealers was also caused by much tougher competitive conditions than in Britain. In the UK, the Flymo had not only been the first

hover mower, but also the first

strongly promoted machine of any kind which cut with a horizontally rotating blade (as opposed to a cylinder mower which cuts vertically).

On the Continent rotary machines with wheels had become the norm well before Flymo's arrival on the scene. So it was a struggle to convince either dealers or consumers that a hover offered greater ease of use or cost effectiveness — especially when, as Evans admits, "our promotion wasn't tailored to these different circumstances".

Flymo was handicapped further by very strong local competition in several markets, notably Germany, and by its own slowness in adding features such as a grass collection bag. So its achievement of respectable market shares in parts of the Continent by 1988 was remarkable.

The trouble was that the costs of the effort were so high that the company failed to make any money at all in several countries, and in others its profitability fell far short of the level to which it was used in the UK. "We went over the top in promoting a product that didn't meet many consumers' requirements," says Harrop.

Things came to a head in 1983 when Flymo plunged into a loss of over £3m on sales of only £25m, largely because of problems in Britain, including over-extension of its mower range and the vicious effects of a long TV advertising and discounting war with Qualex, the main UK maker of cylinder machines.

Evans was called back from running the successful Flymo subsidiary in Australia to become managing director. He immediately set about stemming the losses by slashing overheads and cutting back on unprofitable activities.

"Since the over-riding objective was to bring the UK back on course, exports were put on hold," he says, a phrase which was recommended only for sales efforts in Germany and several other markets. The French sales effort continued to be supported, but not with any great commitment.

Only in 1986 did Evans and his new team feel confident enough about Flymo's UK financial revival to start

rebuilding exports — choosing to distribute wherever possible through other Electrolux group companies, rather than almost always independently as before. This was not because of any parental coercion, Evans stresses; they were the obvious base from which to launch a renewed export drive.

By then Electrolux had grouped all its chain saw and mower interests under one senior product line manager in Sweden, in order to distribute them jointly wherever possible. As a result, Flymo had begun to experience greater Swedish influence over its product and marketing strategy.

This became painfully obvious when the Swedes reacted sceptically to the company's plan to depart from its roots and design a pan-European wheeled rotary mower for both the UK and continental markets. For a start, it was rightly doubted about Flymo's real commitment to designing for export markets, since the UK company had traditionally followed the typically technology-led approach of "we make it so we'll try to sell it," as well as the myopic British attitude of "it sells here so it will obviously sell abroad too."

In spite of dramatic cost reduction and automation improvements in the Newton Aycliffe factory, there were also doubts about Flymo's ability to create sufficiently high quality at a low enough cost. On top of that, Husqvarna was just as capable of taking on the project.

Flymo won the debate in August 1988 partly by agreeing to knock a year off the normal three-year development cycle for mowers, even though the company needed to start studying different European market requirements at the before it could begin the development process, instead of trying to adapt a UK product later on, or not even bothering.

Thanks to this research process, the new rotary mower has several "continental" characteristics: it cuts right to the edge of its wheels, instead of leaving a narrow strip uncut; it has a heavier and more durable handle than is conventional in the UK; and its design allows for seven different levels of cut, instead of just one.



Geoff Harrop (left) and Les Evans: had to persuade Flymo's Swedish parent to agree

Shortly after the mower decision, Flymo was faced early in 1987 with what Evans calls "a hell of a battle" internally over its plans to exploit the "strimmer" market developed by Black & Decker with its own grass trimmer. Having just bought America's largest trimmer maker, Weed Eater, Electrolux was naturally keen to benefit from global economies of scale. But it was eventually won over by Flymo's espousal of a strategy of differentiation — in this case, in the form of an adjustable handle and a versatile head which can be swivelled from the horizontal to the vertical.

Launched earlier this year, the trimmer has already proved a great success in Britain and several other markets across Europe. Which is just as well for Flymo's future, since it has helped break Electrolux's long-standing reluctance to see the Flymo brand name used on non-bover products outside the UK. "We've confounded them," is how Harrop puts it.

The parent company has just agreed to allow the Flymo brand to start replacing the group's previous national brands for small mowers and other mass market lawncare products in France and elsewhere.

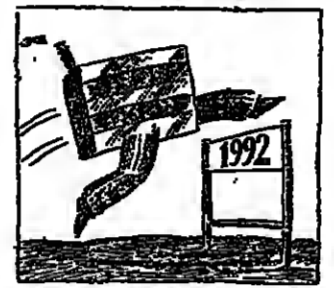
Paradoxically, Electrolux's agreement was also aided by Flymo's past mistakes on the continent. According to Evans, the group's market research shows that Flymo's misguided promotional overspending in the 1970s and early 1980s has helped create a much stronger brand recognition for Flymo, even in Germany, than is warranted by its market position.

The cause of Europeanisation will be aided further by the recent organisational separation of Flymo's product development and production facilities from its UK marketing company, since last month development has formed part of Flymo's international division.

One obvious model for the mentality which Evans hopes to create is that of Husqvarna, which exports four-fifths of its production. Only 17 per cent of Flymo's £50m sales this year will be outside the UK. Evans is uncertain whether he would have reconstructed Flymo in quite this way if it were a fully independent company. But he is emphatic that he would have been just as intent on ensuring a better balance of national influences over the company, so as "to avoid being dominated by home-market thinking."

Previous articles in this series were published on October 5, 12, 19 and 26.

MEDIUM-SIZED COMPANIES



The European challenge

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Jonathan Wren

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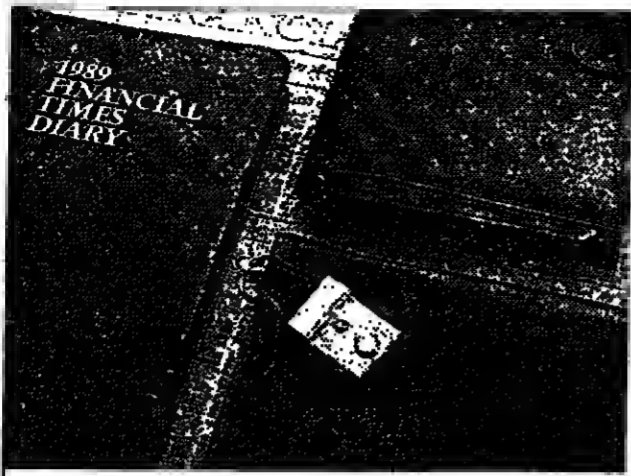
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FT LAW REPORTS

Writ validly served on absent bank

ROME v PUNJAB NATIONAL BANK
Queen's Bench Division (Commercial Court): Mr Justice Hirst, October 27 1988

A WRIT is properly served on a foreign company if addressed to the person nominated to accept service on its behalf and delivered to the nominated address, as long as his name and that address remain on file at the Companies Registry; and it is immaterial to validity of service that he has left the UK and that the company no longer has any place of business here.

Mr Justice Hirst so held when refusing to set aside service of a writ delivered by the plaintiffs, Mr Christopher William Rome and Mr Andrew Bathurst, to the nominated representative of the defendant, the Punjab National Bank.

Section 686 of the Companies Act 1985 provides: "(1) Any process... is sufficiently served if addressed to any person whose name has been delivered to the registrar... and left at... the address... (2) However... (b) if... all the persons... have ceased so to reside... a document may be served on the company by leaving it at... any place of business established by the company in Great Britain."

Section 696(4): "If an overseas company ceases to have a place of business in... Great Britain, it shall... give

notice... to the registrar... HIS LORDSHIP said that until 1986 the bank carried on part of its banking business at Moor House, London Wall and at a number of provincial branches. By late 1986 it had resolved that no further business should be done in Great Britain. Its provincial offices were all closed by the end of 1986 and its London office by the end of March 1987.

During 1987 the bank retained a form of presence in Great Britain, though it carried out no new business. The 1987 activities were transacted by Mr A.K. Bakshi and a Mr Golani who worked from the offices of the State Bank of India at State Bank House.

Mr Golani left for home in October 1987 and Mr Bakshi in February 1988. Thereafter the bank had no employees working for it in Great Britain. It surrendered its banking authorisation to the Bank of England.

Meantime, in accordance with the requirements of section 692(1)(c) of the 1985 Act, the bank delivered to the Registrar of Companies two returns each dated August 13 1987, nominating Mr Bakshi and Mr Golani with the State Bank House address, as the names and addresses of the persons authorised to accept service on its behalf.

On December 31 1987 the bank informed the Registrar of

Companies that it had ceased to have a place of business in the UK. It requested him to cancel its registration as an overseas company with a place of business in the UK. On January 15 1988 the Registrar confirmed that the bank's public file had been closed. The two returns dated August 13 1987, including Mr Bakshi's return, were not removed, but remained on the file.

On March 2 a writ was personally handed to an official in State Bank House, in an envelope addressed to Mr Bakshi at that address.

The writ was issued by the plaintiffs, Mr Rome and Mr Bathurst, who sued as representative Lloyd's underwriters. They claimed a declaration that two insurance policies under which the bank was assured had been validly avoided, and they claimed repayment of over \$28m paid under those policies.

On the present summons the bank sought an order that service of the writ be set aside and/or a declaration that it had not been duly served. The question was whether the return of Mr Bakshi's name as a person authorised to accept process on the company's behalf remained valid at date of service.

The plaintiffs contended that service was good under section 686(1) of the Act, which provided that process was sufficiently served if left at the

address of a person whose name had been delivered to the Registrar. In the alternative, they contended that service was good under section 696(4), in that the place at which the writ was served was "a place of business" established by the bank in Great Britain.

The bank contended that neither part of the section was of any avail to the plaintiffs and that service was therefore bad.

Mr Lightman for the plaintiffs submitted that the wording of section 686(1) was clear, explicit and categorical. All that was required was that process should be addressed to a person nominated by the bank as authorised to accept service on its behalf, and left at or posted to the nominated address. He emphasised that there was no requirement that the bank should have a place of business in the UK, nor for the continued presence of the nominated person.

Mr Brindle for the bank submitted that section 686(1) must be construed in the light of the provisions of section 696(2) and surrounding sections, and that it therefore did not apply when an overseas company had ceased to have an established place of business in Great Britain. He said that once a company had ceased to trade here the plaintiff must sue in the court to which it was subject at the time of the suit.

In *Sabatier v The Trading Company [1987] 1 Ch 495, 506* Mr Justice Goff said, with reference to the Companies (Consolidation) Act 1908 "a company... remains bound, even if it ceases to carry on business here, so long... as the name of a nominee... remains on the register."

In *Sedgwick Collins [1937] AC 55*, where the registered agent of a Russian company protested that it had ceased to exist, Lord Justice Sargant said he could not disclaim his position as company representative. "Otherwise it would be possible for any foreign company... to entirely escape... from service of process by merely removing the name of their nominee from the register."

Provisions similar to sections 686(2) and 696(4) of the 1985 Act were first introduced into the legislation by the Companies Act 1928.

In *Deverall v Grant Advertising [1955] 1 Ch 111* Lord Justice Jenkins said "where the name and address of some person authorised to accept service on behalf of the company is delivered to the registrar of companies... service on that person is... good service so long as his name continues on

the file, and the person effecting service is in no way concerned with... whether the company has... a place of business in Great Britain."

Subsequently in a number of decisions *Sabatier* and *Sedgwick Collins* had been treated as good law, though in none was the point precisely in issue.

Mr Lightman submitted that the law as laid down in the two pre-1928 Act authorities still continued to be valid, and was reinforced by *Deverall*. Mr Brindle submitted that the 1928 Act amendments were made directly in response to Court of Appeal criticisms made in *Sedgwick Collins* so that where the criteria of section 686(2) applied, or where notice had been given by the company under section 696(4), service under section 686(1) was no longer permissible.

Mr Lightman's submissions as to the construction of section 686(1) were correct. Its wording was explicit and unqualified. It stood on its own as an unequivocal statutory declaration that service in the manner described was "sufficient service". Section 696(2), though not formally worded as a proviso, was clearly tantamount to a proviso, and thus on well-established principles, was not capable of qualifying the clear words of section 686(1).

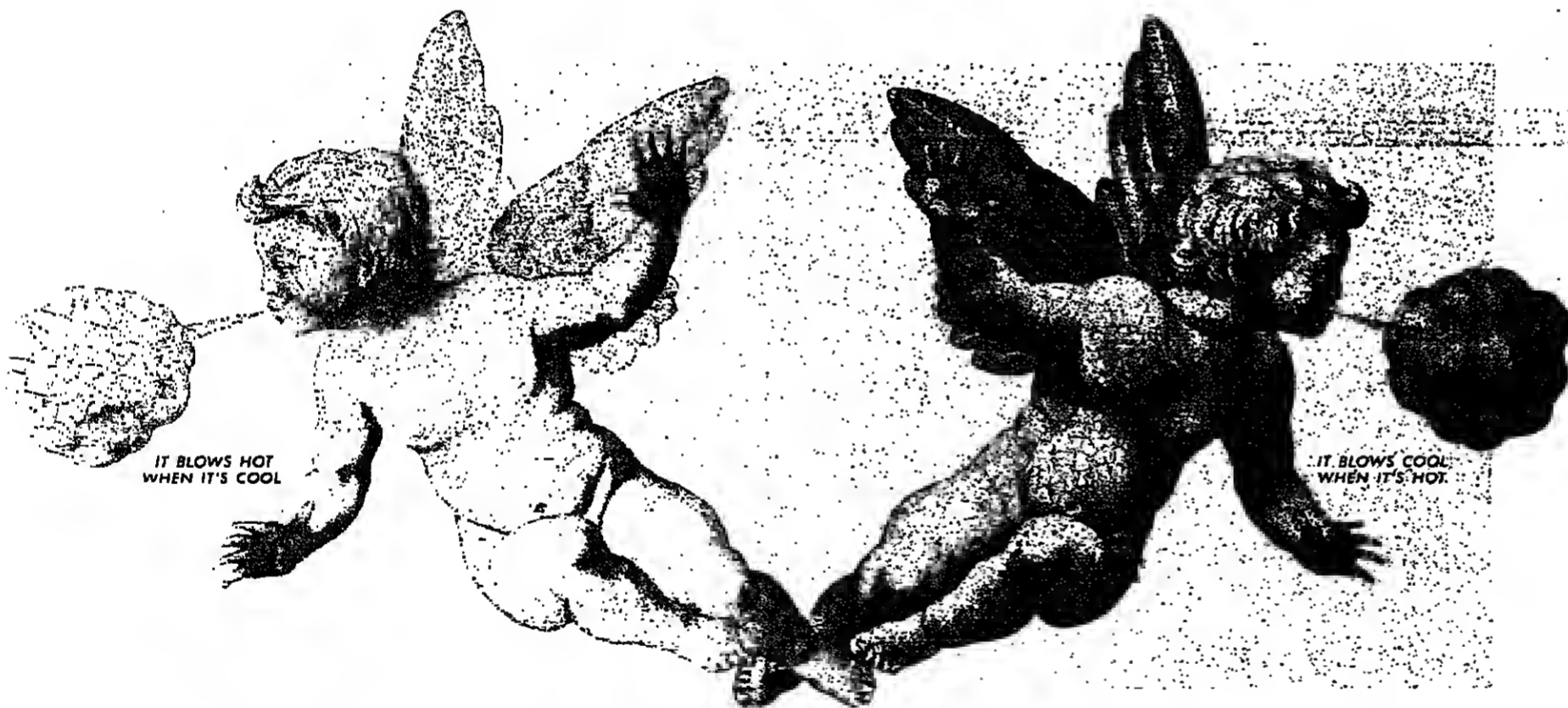
Deverall was not strictly binding since Lord Justice Jenkins's statement were *obiter*, but they were highly persuasive, coming as they did from so eminent an authority on company law matters.

This construction created anomalies, for example where the nominated person was dead, or had long ago left the country, or where several years had elapsed since the foreign company sought to do business here. But such anomalies, when they arose, could readily be dealt with under the court's inherent jurisdiction to stay proceedings.

No such anomalies arose in the present case. On the proper construction of section 686(1) good service was effected.

Had the case turned simply on section 696(2), the court would have found in the bank's favour. It was not conducting any business activity at the relevant date. The place at which the writ was delivered was not a place of business established by the bank in Great Britain.

For the plaintiffs: *Gavin Lightman QC, David Marks and Stephen Ruttle (Ince & Co)*
 For the bank: *Michael Brindle (Slaughter and May)*
Rachel Davies
Barrister



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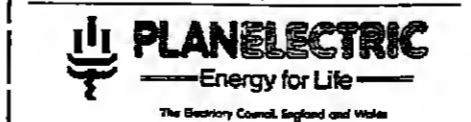
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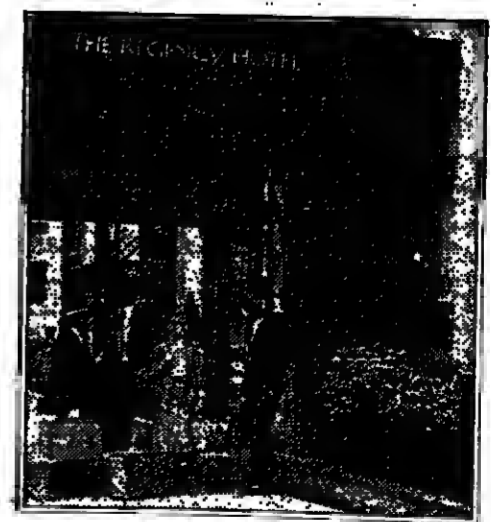
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Game Set and Match actually seems more out-dated than Piece Of Cake.

Both the BBC1 'detective' series South Of The Border and the BBC2 legal series Blind Justice seem more concerned with creating a sympathetic view of black people...

It does seem likely that a military scientist with a lab full of drugs would choose to drive his Landrover across country at midnight...



Michael Degen and Ian Holm in "Game, Set and Match" on ITV

The two biggest new drama series from ITV are both made with very high production values...

The new season's drama from the BBC, on the other hand, mostly seems to be tarred with an agitprop brush.

It is still for Israeli settlements, but the Archangel appears again.

There is no pretence of indifference in Joint Stock's piece about Israel at the Shaftesbury Hall.

deceived are given more Toyotwo medals.

mat of a television news bulletin: you can switch from one to two presenters and vice versa.

raining down on London has been replaced by what looks like a pastiche of the Ally-Pally mail symbol.

Madama Butterfly

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More Schoenberg

FESTIVAL HALL

On Monday it was the turn of the Bournemouth Symphony to contribute to the South Bank's 'Reluctant Revolutionary' concert.

posed solos were creditably neat and clear.

What was under-realised in this performance was the long-range symphonic drive of the piece.

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ARTS GUIDE

THEATRE London: Measure For Measure (Barbican). Pick of the RSC London repertoire...

October 28-November 3

proved to be a durable Broadway hit (947 0038).

Prudential puts orchestras on the road

In a dramatic sign of the times the Arts Council is getting together with the Prudential Corporation to fund a three year drive to take the four main London orchestras into the regions.

FINANCIAL TIMES Europe's Business Newspaper

Washington Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot help affecting them. (254 3670)

Chicago Romeo and Juliet (Goodman) The season is well underway with Michael Maggie's production set in the Italian section

Antony Thornecroft

Peter Marsh talks to Jeremy Rifkin, opponent of bio-technology

Jeremy Rifkin has been called a modern-day Luddite. His campaign against what he perceives as environmentally damaging technologies has struck an important chord among people in the US concerned with or confused by technological change.



The one-man pressure group

By Mr Rifkin. They say he does not understand technical concepts and is alarmist. "I'm not sure what his agenda is," says the head of research at one of the US's big chemical companies.

that took place in scientific circles in the 1970s when many new biotechnology concepts were pioneered. "We can't have a small scientific and corporate elite dictating the introduction of new ideas," he says.

Here, Mr Rifkin is in danger of being called a hypocrite. He attacks modern technologies, but at the same time is perfectly happy to use them when it suits him.

Economic issues in the US election

There they go again

By Benjamin Friedman

Remember Ronald Reagan's promise to balance the budget by 1987? And to do so despite cutting taxes, beefing up America's defences and, above all, keeping Social Security benefits sacrosanct?

and all American businesses combined. This chronic fiscal imbalance, not pointless disagreements over how many jobs have been or are likely to be created, ought to have been the real issue in this year's campaign.

The threat posed by the continuing fiscal imbalance is all the greater because so much of America's borrowing in the 1980s has been from foreign lenders. As a result, the stagnating incomes Americans will receive in the future will be all the more painful in that a growing share will go merely to service foreign debts.

The truth is also that, politically rhetoric aside, there has been no major disagreement between President Reagan and the Congress over the total amount (in contrast to the composition) of federal spending.

Either one generation will not get what it paid for, or another will pay as none before ever has

Americans are enjoying today a false prosperity, an illusion based on borrowed time and borrowed money. With so little of US private saving left after the Government finances its deficit, the US is not investing in the plant and equipment it will need to deliver advances in the average citizen's standard of living.

prospects erode and their debts mount, and pretending all the while that closing a few tax loopholes, or achieving some management efficiencies, will stem the source of this corrosion.

A presidential election ought to provide the opportunity to reach for just such a consensus. That, however, would require leadership. This year's candidates are not running, but running away. So far, no one is calling them back.

LETTERS

European managers

From Mr Richard Brown, Sir: Michael Skapinker (October 23) is right to point to the shortages of - and consequent competition for - suitably trained managers in a European context.

The future of Cyprus

From the High Commissioner for Cyprus, Sir: In taking issue with your Athens correspondent, Mr Fikri (Letters, October 25) calls, cryptically, for the recognition of the so-called "Turkish Republic of Northern Cyprus" or, to put it differently, for the de-recognition of the Republic of Cyprus.

Privatised in Mexico

From Mr Norman Jenkins, Sir: Your report (October 21) on privatisation in Mexico rings a bell. Is it too much to expect that our original assets in that country will be returned to their rightful owners?

Compromise on the left

From Mr Philip Mitchellborough, Sir: Britain may still be in the Common Market by the 1990s, so if your correspondent William Dawkins (October 23) is correct in his interpretation of the threats being made by the body against the UK, measurements of gill, gallon and ounce, we must demand strong and effective action from our politicians to protect our heritage.

Signs of a changing mood in Iran should be encouraged

From Mr Mehrdad Khosravi, Sir: Since the establishment of a cease-fire in the Iran-Iraq war there has been a sense of euphoria in western capitals, based on the false assumption that a Rafsanjani administration, after Khomeini, will sway Iran away from international terrorism and the danger of Islamic fundamentalism.

Signs of a changing mood in Iran should be encouraged

environment has greatly changed. During this decade there have been encouraging signs. Authoritarian dictatorships have been rejected in the Philippines, South Korea, Argentina, Brazil, Turkey and Chile.

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FINANCIAL TIMES COMPANIES & MARKETS

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KIVETON PARK STEEL WE ARE THE SUPPLIERS OF THE VERY BEST STEEL

INSIDE Growing pains for a 123-year-old

Nokia, the 123-year-old Finnish conglomerate and the world's largest mobile telephone maker, is suffering adolescent growing pains as it rushes headlong into electronics.

Suitable case for treatment

Portugal's sceptics are being proved wrong. When the country joined the European Community three years ago, few thought that its underdeveloped, under-financed and disorganised agriculture would respond to treatment.

UK bid battles face new lines

"Pie-bargaining" in the midst of UK takeover battles... the practice of offering to sell certain subsidiary interests as the price of getting clearance from the Office of Fair Trading...

Mexican market revival

Mexico celebrates the "Day of the Dead" today, a semi-official holiday with long religious roots but associated with some macabre practices such as the eating of sugar candy skulls.

Newmont "squarely in play"

Newmont Mining and its subsidiary Newmont Gold, the biggest gold producer in the US, have been put "squarely in play" and are possible bid candidates, said Mr Gordon Parker, chairman of both companies, yesterday.

Rothwells faces troubled times

Rothwells, troubled Perth merchant bank, took another blow yesterday as trading in its shares was suspended. The move follows the resignation on Monday of Laurie Connell as a company director and confirmation of "grave liquidity problems" facing the bank.

Market Statistics

Table with 2 columns: Index Name and Value. Includes Base lending rates, European Govt bonds, FT-100 index, etc.

Companies in this section

Table listing various companies and their share prices. Includes ASAC British Inds, BSA, Bradford Property, etc.

Chief price changes yesterday

Table showing price changes for Frankfurt (Dm), London (pence), and New York prices at 12.30. Includes shares like BHP, BP, etc.

Gulf Canada buys its first US oil interest

By David Owen in Toronto and Phillip Coggan in London

ALLIED-LYONS, the UK food and drinks group, yesterday sold a 51 per cent stake in HPC, the US-based oil and gas company, to Gulf Canada Resources for \$227m (\$184.8m) in cash.



Sir Derrick Holden Brown: Allied-Lyons Chairman

Gulf Canada, with assets in excess of \$3.5bn, is controlled by Toronto-based Olympia & York, the fast-growing private and resources firm of the secretive Reichmann brothers.

SEC 'close to co-operation agreement' with France

By Haig Simonian in Frankfurt

THE US Securities and Exchange Commission expects shortly to sign an agreement with the French authorities allowing for substantial co-operation and exchange of information in policing securities markets.

Mr Gary Lynch, director of the SEC's enforcement division, said yesterday "we are on the verge of an agreement with France that's very broad-ranging."

The agreement is likely to be along the lines of "memorandum of understanding" which the SEC has already concluded with authorities in Switzerland, Japan, the UK, Brazil and Canada.

12% of British Steel may go to Japan

By Phillip Coggan in London

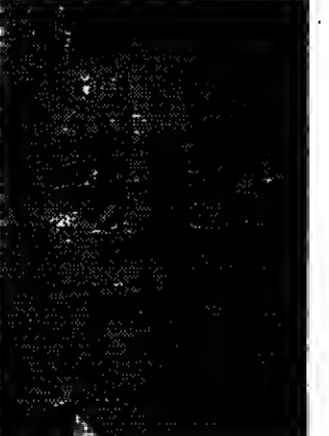
BETWEEN 10 and 12 per cent of British Steel is likely to be offered to Japanese investors when the state-owned company is privatised later this month.

The pathfinder prospectus issued last Friday merely indicated that about a third of the shares would be available to investors in the US, Japan, Canada and continental Europe.

MFI rolls out carpet to Harris

By Maggie Urry in London

SIR PHIL Harris is back in the carpet business. A deal announced yesterday with MFI, the furniture group, gives the British retailer a way back into the sector where he began and which was, some say, the only business he really understood.



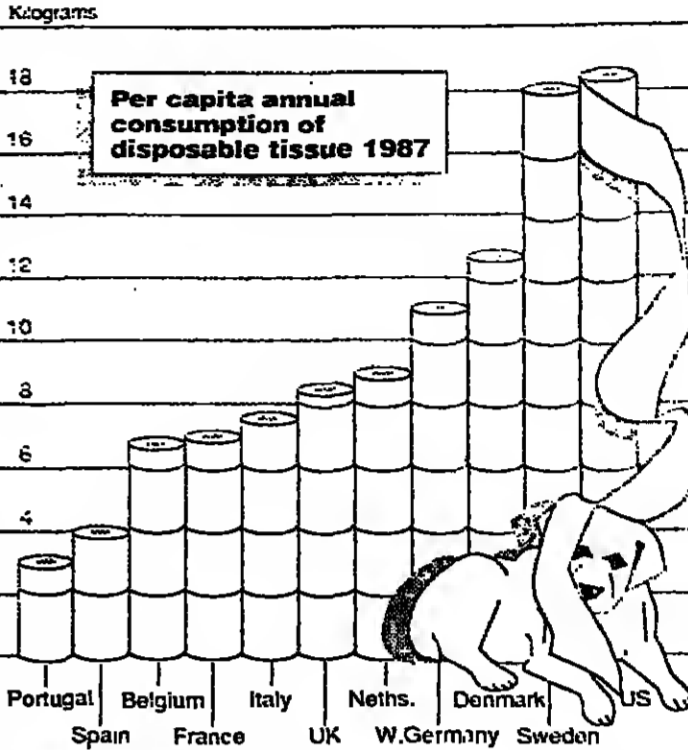
Derek Hunt: MFI Chairman and 'larger than life'

Sir Phil left school to take on his family's three carpet shops when his father died in the late 1960s. He built the business into the Harris Queensway empire which for a time dominated the UK furniture and carpet retail markets.

However, that group fell on tough times and was taken over this summer for \$450m to become Lowndes Queensway, headed by Mr Jimmy Gulliver - another well-known retailer, who had built up a series of supermarket chains, culminating in the Argyle Group.

Crossing frontiers with a pan-European plan Maggie Urry studies Scott Paper's expansion strategy

WHEN Scott Paper, the US-based but globally minded toilet-paper maker, first started making tissue in Europe in 1956, it had no thought of tackling the market any other way than country by country.



Source: European Tissue Symposium

The process of buying the partners out began in 1983 and was concluded in 1986 when Scott bought Bowater Industries' half share of the Bowater-Scott joint company in the UK. That allowed Scott "the vision of the companies working together," Mr Bakhru recalls.

Scott was then, he says, "twice as large as the nearest competitor and the only pan-European company of size and experience."

Now manufactures tissue in the UK, France, Spain, Italy, and Belgium and supplies the Portuguese market from Spain. In the markets where it operates, Scott has around 30 per cent of total consumption of about 1.6m tonnes.

Scott is the market leader in sanitary tissue in the UK, Italy, Spain, and Belgium and second in France, where it has ambitions to take over the number one position, and Portugal. Scott continues to avoid the West German market.

Because it does not make economic sense to transport high volume/low price goods such as toilet tissue and paper towels over long distances, a pan-European strategy does not mean putting up one huge plant someplace in the middle to gain economies of scale.

Plants must still serve their local markets, although after 1992, when the European Community's internal trade barriers come down, local markets need not mean national markets.

However, Mr Lynch suggested that the likelihood of future EC rules would not stand in the way of a bilateral agreement between Germany and the US.

There has been a major administrative problem. "At that time, the concerns were raised as to who would negotiate on behalf of the German government as there is no equivalent of the SEC in Germany," noted Mr Lynch.

Yesterday's conference, which was attended by Mr David Ruder, chairman of the SEC, and three of the four heads of its operating divisions, showed that any idea of extending US jurisdiction into the German banking business remains a highly sensitive issue.

The Bonn Government appears to have parried the SEC's call for a memorandum of understanding by suggesting it was awaiting a directive from the European Commission on securities regulation.

However, Mr Lynch suggested that the likelihood of future EC rules would not stand in the way of a bilateral agreement between Germany and the US.

It has also been indicated that 24m American Depositary Shares are being offered to US investors. With each ADS equivalent to 10 ordinary shares, that means that the US will also be offered 12 per cent of the issue, with a further 9 to 11 per cent split between Canada and Europe.

Sir Robert Scholey, British Steel chairman, said in Japan that yesterday's presentation there was "very well received."

Lowndes Queensway yesterday re-affirmed that arrangement - and said it was not in any way upset by Sir Phil's move. When Sir Phil agreed to the takeover of Harris Queensway, no non-competition agreement was made.



SEE PAGE 9 TODAY.

INTERNATIONAL COMPANIES AND FINANCE

BIL takes control of Hong Kong offshoot

By Dai Hayward in Wellington.

BRIBRIEY INVESTMENTS (BIL), Sir Ron Brierley's New Zealand master company, has assumed direct control of Industrial Equity Pacific (IEP), its Hong Kong offshoot which has until now been held through the group's Australian subsidiary.

The \$41.5bn (US\$864.4m) deal with the Sydney-based Industrial Equity (IEL) centres control of BIL's global operations at its Wellington headquarters.

BIL will buy 51 per cent of IEL from IEL to add to the 16 per cent it already owns separately. This means the group's corporate investments in Britain and the US, formerly held in Hong Kong, will now be located in Wellington.

BIL will pay HK\$14.60 (US\$1.80) for each IEL share, a substantial premium above the market price which closed at HK\$11 yesterday, up 50 cents.

Sir Ron has also quashed speculation that BIL was to merge with IEL, an idea to which Australian shareholders have objected. The new structure should satisfy them. It will leave IEL concerned mainly with a range of Australian investments.

Sir Ron has also taken temporary leave as chairman of IEL to concentrate on merging IEP's operations with BIL.

By selling IEP, the Australian company will receive a surplus of A\$220m over the book value of the company on June 30. IEL will also improve its debt to equity ratio. By that date IEL's consolidated balance sheet showed assets of A\$52m and shareholders' funds of A\$23m.

The Australian operations of IEL were the weakest performer of the three groupings which make up the Brierley empire. In the year to June, Australia contributed 18 per cent of BIL's profits. New Zealand provided 43 per cent, the US 17 per cent and the UK 22 per cent.

Sir Ron said this week that IEL had improved its position since last December. The A\$27m deficit in IEL's investment fluctuation provision, shown in the annual report then, had been turned into a A\$32m surplus.

IEL is due to hold its annual meeting in Sydney today. The sale of its IEP stake will mean it has shed its major investment but will have gained funds.

The restructuring will require IEP shareholders' approval on December 12.

Suspension adds to Rothwells uncertainty

Trading in the shares of Rothwells, the troubled Perth merchant bank, was suspended yesterday, one day after it failed to meet the stock exchange's deadline for reporting its results for the year to July.

The exchange said in a statement that the suspension was at the request of Rothwells directors, who said they were "not in a position to release the pro-forma preliminary final statement at this stage."

The move follows Monday's resignation of Mr Laurie Connell as a director of Rothwells and his other public companies, and confirmation at the weekend by the Western Australian state government that Rothwells was facing "grave liquidity problems."

The suspension reinforces uncertainty over the future of Rothwells, and underlines the problem still facing the Western Australian state government, which has been involved in efforts over the past year to prevent the bank's collapse.

Rothwells has already received injections amounting to A\$90m (US\$42.2m) from Mr Connell and a group of prominent businessmen since anxious depositors mounted a debilitating run on its funds in the wake of last October's stock market crash. Mr Connell himself stood down as managing director to become a non-executive director last

Chris Sherwell on the troubles of the Perth merchant bank, which is facing "grave liquidity problems." Picture shows Laurie Connell (left) who resigned as a director on Monday, and his court adversary Warwick Fairfax



A\$100m "success fee" for its advice to Mr Warwick Fairfax in his A\$250m bid to take the Fairfax media group private last year. Mr Fairfax has refused payment, alleging Rothwells did not properly perform its services, and has launched a counter-suit.

Rothwells, in return for an injection of much-needed funds, has already sold the A\$100m fee at a discount to Bond Media, the broadcasting group controlled by entrepreneur Mr Alan Bond, a friend of Mr Connell's. Bond Media has joined Rothwells in the legal action.

The case is being heard in the New South Wales Supreme Court, and yesterday, after lengthy arguments in closed session, the judge ruled that certain information detailing Fairfax's current financial situation should remain confidential, even though it is relevant to the case.

The information is contained in documents prepared by Fairfax's bankers concerning its planned A\$1.4bn debt restructuring package. It is said to include such details as revenues and asset values, which would plainly be of use to Fairfax's competitors.

Hearings are also continuing at the Australian Broadcasting Tribunal, which is inquiring into the fitness of Mr Bond and his companies to hold broadcasting licences. Mr Bond, a close friend of Mr Connell, controls the Channel Nine television network and a chain of radio stations.

On Monday Mr Bond denied threatening to use his television staff and stations to "expose" share transactions involving the AMP Society, Australia's largest institutional investor.

The AMP's chief investment manager earlier alleged Mr Bond did make such a threat when the AMP was resisting Bond Corporation's attempts to secure board representation at Bell Resources following its acquisition of a 20 per cent stake in the parent Bell Group.

Mr Bond says he warned the AMP executive he would go on television to put his case, adding that before making any public comments he would get his staff - meaning Bond Corporation staff - to collect information on AMP share transactions.

The tribunal is investigating the alleged threats and also the separate question of a A\$400,000 defamation payment by Mr Bond to Sir John Bjelke-Petersen, the then Queensland premier, in 1986. The outcome is unlikely to be known for some months.

Global Natural Resources Ltd

A Scheme of Arrangement dated 17th May 1983 providing, among other things, for the exchange of bearer shares of Global Natural Resources Limited, formerly Global Natural Resources PLC, a company organised under the laws of England (Global-UK), for registered shares of Global Natural Resources Inc, a company organised under the laws of the State of New Jersey, USA (Global-US), became effective in July 1983. Pursuant to the Scheme of Arrangement, the issued and outstanding shares of Global-UK have been cancelled. They entitle the holders only to obtain registered shares of Global-US in exchange for their bearer shares of Global-UK and have otherwise ceased to have effect.

Holders of shares of Global-UK will not be entitled to receive dividends or notices of meetings or be able to vote or otherwise participate in the affairs of Global-US unless and until their bearer shares of Global-UK and the Form of Application to receive registered shares of Global-US, legibly completed, are received by the Exchange Agent named below and the shares of Global-US are registered in the name of such holders. Accordingly holders of bearer shares of Global-UK are strongly urged to write to one of the addresses given below to obtain Forms of Application.

Forms of Application may be obtained from the following:

Exchange Agent: Registrar and Transfer Company Attn: Exchange Department, 10 Commerce Drive Cranford, New Jersey 07016, USA

or from: Global Natural Resources Inc. 5300 Memorial Drive, Suite 900 Houston, Texas 77007, USA

or from: Hambros Bank Ltd Attn: Stock Counter, 41 Bishopsgate London, England EC2P 2AA

Edgars sales rise 30%, but directors cautious

By Jim Jones in Johannesburg.

EDGARS, South Africa's largest clothing chain, lifted sales by nearly 30 per cent and pre-tax profits by more than half in the six months to September 24 but is cautious about prospects for the rest of its current year.

Turnover advanced to R706m (R262.9m) from R543m and the interim pre-tax profit rose to R84.2m from R55.2m. The directors say Edgars gained market share, as national sales of clothing, footwear, textiles and accessories rose by only 24 per cent in nominal terms and by 9 per cent adjusted for inflation.

They say consumer confidence remains satisfactory and are cautiously optimistic that

earnings will continue to grow during the second half. Retail analysts warn, however, that the latest increases in mortgage rates will reduce disposable incomes and that further interest rate increases could persuade consumers to reduce spending on essentials.

First-half net earnings increased to 100.6 cents a share from 65.5 cents and the interim dividend has been raised to 22 cents from 16 cents. Last year's earnings totalled 141.7 cents and the year's dividend was 53.5 cents.

Edgars is controlled by South African Breweries, the diversified consumer goods group.

Reliance pays 55% dividend

By R.C. Murthy in Bombay.

RELIANCE INDUSTRIES, the fast-growing Indian industrial company, has announced a dividend of 55 per cent for the 18-month period to June which, including a 30 per cent interim already paid, will bring a total payout of Rs60m (Rs36.7m) for its 1.6m shareholders.

Sales were Rs17.7bn, equivalent to Rs11.8bn on an annualised basis against Rs9.05bn in 1986. Reliance struck a bad patch in 1987 but recovered early this year and is again on a growth path. Mr D.H. Ambani, chairman, expects turnover to exceed Rs18bn for the year to June 1988.

Profits after interest but before depreciation for April-June 1988 were Rs550m against Rs1.7bn for the 18 months. The company's performance is being aided by an upturn in sales of polyester yarn and fibre as well as integration to produce purified terephthalic acid, which helps cut polyester manufacturing costs.

Cheung Kong offer unconditional

MR LI KASHING'S Cheung Kong Holdings has made its offer for outside shareholdings in its Green Island Cement associate unconditional, after additional purchases in the market yesterday took its stake to 50 per cent control, writes Michael Murray in Hong Kong.

Cheung Kong already owned 44.6 per cent of Green Island, a cement company, and paid between HK\$19.50 and HK\$12.70 a share for an additional 54 per cent of the share capital. The HK\$20 a share general offer values Green Island at HK\$1.03bn (US\$280.5m). Its shares closed up HK\$1.70 at HK\$19.40.

Mitsubishi Metal profits up 51.8%

MITSUBISHI METAL, a leading Japanese metal smelter, yesterday reported pre-tax profits in the first half to September up 51.8 per cent

to ¥10.2bn (\$81.2m), AP-DJ reports from Tokyo. Net earnings climbed 63.1 per cent to ¥4.6bn, or ¥7.54 a share from ¥4.70. Sales were

¥369.9bn, up 11.6 per cent. Company officials said growing demand in the midst of robust economic expansion and rising metal prices pushed up sales.

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ENGINEERING TOMORROW'S WORLD

INTERNATIONAL COMPANIES AND FINANCE

Intershop seeks approval for SFr100m capital issue

By John Wickes in Zurich

INTERSHOP, Zurich-based property developer, plans a series of capital transactions aimed at financing new investments and "strengthening its Swiss character."

The registered shares will be listed on Swiss stock exchanges. Registered shares have not previously been traded on the open market.

Staff crisis continues to hit systems industry

By Alan Cane in London

THE shortage of professional computing staff in the UK seems likely to continue. The latest survey carried out by the Computer Users' Year Book indicates a shortfall of some 30,000 data processing professionals despite the fact that 12,000 more trained computer staff joined the industry last year than left it.

Videomusic takes control of satellite television station

By Raymond Snoddy in London

VIDEOMUSIC, Italian rock music television station, has taken control of Super Channel, loss-making general entertainment satellite channel officially launched last year by Mrs Margaret Thatcher, UK Prime Minister.

FINANCIAL TIMES CONFERENCES

WORLD ELECTRICITY

The 1988 World Electricity conference will assess the role of competition in electricity supply and examine the progress of privatisation in the UK and elsewhere.

PRIVATE HEALTH CARE

This conference will examine major issues facing the private health care sector in Britain including the importance of co-operation between the public and private sector, employee health care, new dimensions in health insurance and the care of the elderly.

THE OUTLOOK FOR OIL

H E Sheikh Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, and Mr H E Issam Al-Chalabi, the Iraqi Oil Minister will be the two principal speakers from the Gulf at this topical conference.

WORLD TELECOMMUNICATIONS

The world telecommunications industry is being buffeted by a combination of rapid technological change and a steady reduction in long-established barriers to competition.

Sunday Sport moves into the daily arena

THE EXPANSION of Sunday Sport, the tabloid newspaper which carries headlines such as "Second World War bomber found on the moon," continues apace with the planned launch of another edition, writes Raymond Snoddy in London.

day, which both collapsed, it is flourishing. Sunday Sport had an audited September circulation of 584,377. It gave birth the previous month to The Sport, a Wednesday edition of the newspaper. That paper is now claiming sales of 350,000.

paper will be edited by Mr Drew Robertson who currently heads Sunday Sport. Miss Karen Brady, 19-year-old marketing director of Sunday Sport, said yesterday the company was very profitable. It has a staff of 35 full-time members and 29 freelancers.

All enquiries should be addressed to the Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4JL. Tel: 01-925 2323 (24-hour answering service) Telex 27347 FT CONF G Fax 01-925 2125

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Successful Bank Strategies for Europe after 1992

Advertisement for a workshop on bank strategies for Europe after 1992, conducted by Davis International Banking Consultants. Includes text: 'A workshop for bank management conducted by Davis International Banking Consultants. 24th/25th November, 1988. ISSUES TO BE DISCUSSED: THE IMPACT OF THE SECOND BANKING DIRECTIVE, PROSPECTS FOR BANKING CONSOLIDATION, ATTRACTIVE PRODUCT MARKETS FOR 1992, WINNING BANK STRATEGIES.'

Travelling by air on business?

Advertisement for Lufthansa offering complimentary copies of the Financial Times to business travelers. Includes text: 'Enjoy reading your complimentary copy of the Financial Times when you are travelling on scheduled flights from... Paris with American Airlines, Air Canada, Air France, Air India, British Airways, British Caledonian, Delta Air Lines, TAAG-Angola Airlines, Air Inter, Japan Airlines, JAT Yugoslav Airlines, Kuwait Airways, Lufthansa, Egypt Air, Taksim Airlines, Air Afrique, Singapore Airlines, Saudi Arabian Airlines, Thai Airways, UTA... Nice with Air France, Pan-Am, Scandinavian Airlines, Hell-Air, Monaco... Strasbourg with Air France, Air Inter.'



FINANCIAL TIMES Europe's Business Newspaper

INTERNATIONAL CAPITAL MARKETS

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday October 31, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns: COUNTRY, £ STG, US \$, D-MARK, YEN (x 100), COUNTRY, £ STG, US \$, D-MARK, YEN (x 100). Lists various countries and their exchange rates.

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Export; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Lumpy goods; (l) Market rate; (m) Preferential rate; (n) convertible rate; (o) parallel rate; (p) selling rate; (q) Tourist rate; (r) Some data supplied by Bank of America, Economics Department, London Training Centre, Equities 01 634 4560.

General Electric Capital in \$500m straight issue

By Dominique Jackson

GENERAL Electric Capital has raised a fairly successful \$500m straight Eurobond yesterday. This was partially aided by an overnight rally in the US Treasury market but apparently indicates that the ability of a handful of top US companies to tap the international capital markets has not been unduly affected by recent worries over US corporate credits.

The news that GECC had invited bids for a five-year mandate took some syndicate managers by surprise on Monday as it was the first substantial deal for a US industrial borrower since the proposed leveraged buy-outs of RJR Nabisco and the Kraft/Philip Morris merger severely affected investor perceptions of several similar US corporates.

Goldman Sachs International won the GECC mandate in a fairly tight contest between a handful of bidders. Interest in whom reportedly offered bids within a three basis point range of the winning bid, which was initially pitched at 41.85 basis points over comparable Treasury issues.

Although the lead manager said it had received a certain number of declines to join the co-management group, the level of acceptance, the obvious strength of the co-lead group and the competition to lead the mandate suggested that few houses were seriously worried by recent credit concerns - particularly with such a prestigious mandate at stake.

The deal was bid early on at a level within its fees but later eased somewhat to be bid at a discount equal to its total fees by the end of the day. The lead manager said that, on the other side, the spread over Treasury 44 basis points.

While steady demand continues for new dollar straight paper, dealers agreed that only top corporate credits, sovereign or supra-national borrowers could be assured of a fair reception in the wake of the LBO mania, which has affected the prices of US domestic bonds more seriously than outstanding Eurobond issues.

Another pointed out that although some lesser-rated US corporates had been among several bank analysts' sell recommendations recently, GECC, along with IBM, another Eurobond market stalwart, had not been included.

"If anything, investors worried about the LBO implications for smaller US corporates are going to be looking to switch into names like GE and IBM," he added.

The lead manager said demand had been particularly strong from the Far East and Continental Europe. The deal was bid early on at a level within its fees but later eased somewhat to be bid at a discount equal to its total fees by the end of the day.

INTERNATIONAL BONDS

Invitation into the group, it made the difference between a fairly highly-priced deal although the initial margin was more or less in line with existing issues - and a reasonably attractive looking deal when it was officially launched early yesterday at a spread of around 46 basis points over Treasury issues.

British Telecom has filed a registration statement with the Securities and Exchange Commission for the issue of up to \$1bn in debt securities. BT officials said there were no immediate plans to issue bonds in the US. The Eurodollar market, in any case, remains cheaper.

Table with columns: Issuer, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists international bond issues with details.

FT INTERNATIONAL BOND SERVICE

Table with columns: US DOLLARS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists US dollar bond issues.

Table with columns: SWISS FRANCS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists Swiss franc bond issues.

Table with columns: YEN, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists Yen bond issues.

Table with columns: OTHER STRAIGHTS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists other straight bond issues.

Table with columns: DEUTSCHE MARK, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists Deutsche Mark bond issues.

Table with columns: CONVERTIBLE, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists convertible bond issues.

Table with columns: SWISS FRANCS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists Swiss franc bond issues.

Table with columns: STRAIGHTS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists straight bond issues.

Table with columns: CONVERTIBLE, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists convertible bond issues.

Table with columns: STRAIGHTS, Amount \$, Coupon %, Price, Maturity, Fees, Book runner. Lists straight bond issues.

Notes and disclaimers regarding the bond service, including information on data sources and accuracy.

TRADE INDEMNITY CREDIT RISK MANAGEMENT SERVICES 01-739-4311

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STRENGTH IN DIVERSITY

INTERNATIONAL CAPITAL MARKETS

Merrill Lynch treads softly with VRNs

Norma Cohen examines the pros and cons of a novel form of bank variable-rate debt

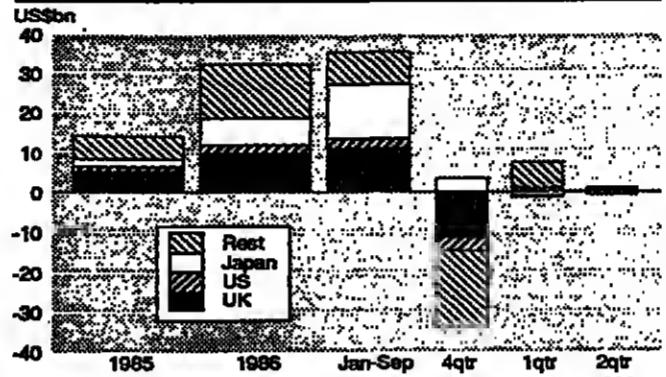
With modest fanfare, Merrill Lynch has effectively reopened the public credit markets to banks looking to boost capital with variable-rate notes (VRNs).

event, the fall-back rate is paid and investors lose their guarantee of a repurchase at par.

Corporate buying spree sways cross-border equity activity

By Stephen Fidler, Eurormarkets Correspondent
CORPORATE share buying has dominated stock markets not only in the US but in the UK and continental Europe.

Net international equity flows



1987 share price collapse. Cross-border investment of \$5.1bn in the first quarter followed a huge \$30.8bn reversal of international equity investment in the fourth quarter last year.

NZ Telecom bond issue

TELECOM Corporation of New Zealand plans to raise at least NZ\$100m (US\$62.9m) through its first domestic bond issue.

Moody's reviews Eksportfinans rating

By Karen Fosell in Oslo
EKSPORTFINANS, the export financing and credit institution of the Norwegian commercial banks, has had its A-1 long-term debt credit rating placed under review by Moody's.

Japanese banks face probe into accounting

By Stefan Wagstyl in Tokyo
THE JAPANESE Ministry of Finance is investigating allegations that commercial banks have been 'window-dressing' their financial results by manipulating securities investments.

Lawson's statement disappoints gilts

By Norma Cohen in London and Anatole Kaletsky in New York
UK GOVERNMENT bond prices sagged in the aftermath of the Autumn Statement by Sir Nigel Lawson, the UK Chancellor, in spite of a forecast of even lower than expected government spending this year.

GOVERNMENT BONDS

continued trading while the Chancellor's speech was in progress. But the remainder of the speech was mostly negative.

Bank in second Ecu offering

By Stephen Fidler
THE Bank of England said yesterday it would sell Ecu750m of Treasury bills at its auction next Tuesday.

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago. Lists benchmark government bonds for UK, US, Japan, Germany, France, Canada, Netherlands, and Australia.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various sectors like Capital Goods, Building Materials, Contracting, etc., with columns for Index, Day's Change, and Year ago.

FIXED INTEREST

Table showing Fixed Interest rates for various maturities (1-30 years) and inflation rates, with columns for Rate and Year ago.

LONDON MARKET STATISTICS

Table showing RISES AND FALLS YESTERDAY for various market categories like British Funds, International Funds, etc.

LONDON RECENT ISSUES

Table listing recent issues of equities, including company names, issue sizes, and dates.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue Price, Amount, Last Date, and Stock Price.

RIGHTS OFFERS

Table listing rights offers with columns for Issue Price, Amount, Last Date, and Stock Price.

TRADITIONAL OPTIONS

Table listing traditional options with columns for Issue Price, Amount, Last Date, and Stock Price.

LONDON TRADED OPTIONS

Large table showing London Traded Options for various companies and indices, including columns for Option, Calls, and Puts.

UK COMPANY NEWS

Disposal of Eagerpath to Geneva-based group nets £25m

Mountleigh cuts debt by latest sale

By Paul Cheeseright, Property Correspondent

MOUNTLEIGH, the property trading and development group which this year has fallen from grace in the stock market, yesterday made a further sale which leaves it with a net profit of £25m and further reduces its debt.

part of the Geneva-based SASEA Holding Group, for £35.76m. This is SASEA's first major UK property venture. Eagerpath contains a batch of properties, including a City of London office block, a development at Richmond, Surrey, substantial tracts of agricultural land and the Antibes yacht harbour in France.

Wm Low plans further English growth

By Andrew Hill

WM LOW & Company, supermarket group based in Scotland, increased taxable profits by about 42 per cent to £11.5m in the year to September 3, compared with £8.12m in 1986-87.

its English operations south of the River Humber. "We keep looking for space across our total bailiwick, but I think in the longer term the shift of development is going to be more in England than Scotland."

£1.24m to £751,000, following a £31.6m placing of convertible preference shares in February which reduced gearing from 65 per cent at the end of 1986-87, to about 3 per cent at September 3.

COMMENT

Wm Low supermarkets - average size 14,500 sq. ft. compared with 9,500 in 1983 - still look like minnows compared with the multi-checkout leviathans operated by the major food retailers.

Geovor paying £5m for coal mine

By Maurice Samuelson

GEEVOOR, operator of the Cornish tin mine which resumed operations in February, is to acquire Mainhand Colliery in Cumbria, which it describes as "potentially the largest private underground mine in the UK."

The consideration of £5m will be satisfied by the issue of shares. The mine, between Whitehaven and St. Bees, has 4.5m tonnes of recoverable high grade coal worth about £180m.

The mine would start producing coal next summer, building up to 100,000 tonnes a year by 1992 and with the option of rising to 150,000 tonnes a year by 1996 without further significant expenditure.

Pittard attacks valuation and high gearing of £40m offer

By Nikki Tait

PITTARD GARNAR leather group yesterday launched a strong attack on the £40m bid from rival Strong & Fisher, claiming that current trading is transformed and that the offer substantially undervalues the group.

It says that since then the gloving division's margins have been restored; that clothing/chamois interests are experiencing better volumes and demand and trading from "a realistic cost base"; and that the trading division is "recovered"; and that the group is once again operating profitably.

The document does not provide any profit forecast. Yesterday, Pittard said this would only be published "if necessary" - pointing out that the question of a monopoles referral is still undecided.

prices for sheepskins and pickled grains, which fell by 30 and 45 per cent respectively between March and June, while currency movements squeezed margins.

It also maintains that Strong & Fisher is overstretching itself with the offer - which would result in gearing of over 150 per cent for the merged group - and raises questions over the bidder's own recent profit figures. The document, however, was dismissed by Strong as "an anti-climax" with no new information.

Pittard announced a £2.5m loss before tax in the first half to July 1, which it concedes was "a grave disappointment". However, Pittard claims that virtually all the losses were caused by the reduction in

the grounds that "a business involving such a high material element (commonly between 50 and 60 per cent of manufacturing cost) and vulnerable to downturns in demand should not expose itself to such high levels of debt".

With regard to Strong's figures - which showed pre-tax profits up from £5.65m to £7.5m in the year to June 24 - Pittard claims that the true picture is that of virtually static performance. It points out that earnings per share growth was lower at 18.9 per cent and that this was largely due to a drop in the effective tax rate from 31 per cent to 23 per cent. It adds that the figures benefited from "sales generated by the clearance of stocks acquired in the Goshall Tamaines business, which will not repeat next year."

Strong accounting questioned

"Strong & Fisher's shareholders should question to what extent the 1987/8 results depended on substantial undisclosed provisions made, particularly in connection with Goshall", claims Pittard's defence document.

"We estimate that those provisions amounted to some £2.5m and it is not clear what they were used to enhance profitability in the year end June 30, 1987".

The allegation, quite relevant in the context of the size of companies, follows a study by Robson Rhodes, the accountancy firm which audits Pittard's accounts. The firm had had aggregate fixed assets of £3.2m, but that had increased to £11.3m in the Strong accounts. The rise was easily explicable, as previous valuations were not up-to-date.

privately-owned Union International company. With Goshall, Strong acquires a 50 per cent stake, which was later raised to 83 per cent, in New Zealand Light Leather, a New Zealand quoted company.

The accounts have noted that at their latest balance sheet date, prior to acquisition, the companies acquired had aggregate fixed assets of £3.2m, but that had increased to £11.3m in the Strong accounts. The rise was easily explicable, as previous valuations were not up-to-date.

However, Robson Rhodes point out that, based on Strong's listing particulars, that overall net assets of Goshall (excluding goodwill) have fallen from £21.6m at the time of acquisition to £20.8m in the accounts. This, they say,

suggests a £2.5m provision. It is the size of this difference which surprises the accountants and prompts their questions.

Yesterday, Strong countered by claiming that comparison was not possible. It said that the net asset value at acquisition implied by the listing particulars was a "contract net asset value", not compiled on normal accounting principles but a matter of negotiation between itself and Union.

It also stated firmly that skins acquired with Goshall were brought in at fair value. It conceded that there had been some additional profit from the sale of this stock, but maintained that margins achieved were lower than on Strong's regular business.

DIVIDENDS ANNOUNCED

Table with columns: Current payment, Date of payment, Current dividend, Total for year, Total last year. Lists companies like Asace Brit Indes, BDA Holdings, Bradford Prop, etc.

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issues. *On capital increased by rights and/or acquisition issues. †US\$M stock. ‡Quoted stock. ††H market. ‡Increased partly to reduce disparity. †††Over-the-counter stock.

Mr Miller said the closure programme was now complete, although Low would still dispose of individual supermarkets, probably in less lucrative high street sites, if necessary.

About 70 per cent of profits now came from stores of 10,000 sq. ft. or more, whereas five years ago 82 per cent came from supermarkets smaller than 10,000 sq. ft., he added.

Low now operates from 62 stores, 11 of which are in England. The group said the bulk of this year's planned capital expenditure of £18m would be used to add a further 100,000 sq. ft. to the 700,000 sq. ft. already occupied.

Obtaining a winning hand at monopoly

Nikki Tait looks at the problems posed by plea-bargaining

AMID THE furor over the speech by Lord Young, Secretary of State for Trade and Industry, on mergers policy generally, last week, one specific issue - plea-bargaining - was somewhat overlooked.

It is, nevertheless, a matter of some practical concern to both companies involved in bid activity and to bid advisers - on mergers policy generally, last week, one specific issue - plea-bargaining - was somewhat overlooked.

"Plea-bargaining" is essentially the practice whereby a bidder offers to dispose of certain subsidiary interests - either its own or its target's - to avoid monopoly problems. A number of companies, such as Guinness over Distillers or Imperial Group in its efforts to secure the preferred bid from United Biscuits - have made such offers either at the outset, while bids were under consideration by the Office of Fair Trading or even in the face of a referral. Under the current

mergers system it is the job of the OFT to make an initial recommendation to Lord Young on whether or not the deal raises monopoly questions.

The problems, however, come in the implementation of promises given. One recent case in particular - that of the £36m offer by MAI, the financial services company, for Lonsdale and Continental Advertising - raised thorny practical issues.

The takeover, which brought together Britain's two largest roadside poster contractors, won the blessing of the Office of Fair Trading after MAI outlined plans to sell some of the combined group's poster sites to two other contractors. The OFT's advice was duly heeded by the Secretary of State and the deal was not referred to the Monopolies and Merger Commission.

Six months after the takeover, however, the OFT advised that the disposals had

not taken place in the precise way promised by MAI. Again, Lord Young took the advice and this time the MMC was required to investigate.

Another four months on, the MMC report appeared - requiring a sale by the merged group of another 2,000 poster sites. All in all, the takeover became an 18-month saga.

Since then, plea-bargaining appears to have become a somewhat difficult area, with the OFT reportedly taking a careful look at any proposed disposal plans. That said, the practice has not stopped. For example, the building group which is currently making a recommended offer for Ruberoid, has promised to sell two roofing felt subsidiaries if its offer is cleared. The DTT's decision on the bid is still awaited.

The authorities' basic difficulty is simple. At present, the mechanism for ensuring that companies do not stray from their undertakings involves

calling in the MMC retrospectively - a time-consuming process.

What the Government envisages - and which Lord Young re-emphasised when answering questions last week - is a system which gives the Secretary of State the power to require the divestment of some or all of the assets acquired. The companies would then be required to give legally binding undertakings to make the divestments within a specified time period - assuming it is not feasible to sell the subsidiaries in advance - before the transaction gets clearance. In the event of abuse, the MMC need not be called in.

Quits how quickly the legislation to introduce these new powers could come into effect is less clear. One thought seems to be that that it could become part of legislation introduced in the current parliamentary session. If so, bidders might see a welcome improvement in flexibility.

Invergordon buy-out

The management team seeking to buy-out Invergordon Distillers, whisky group, said acceptance of the offer in respect of 14.57m shares (64.65 per cent) held by Hawker Siddeley Group and Hawker Siddeley management were now irrevocable. DMWS 99, the company formed for the buy-out, has received irrevocable undertakings or indications of acceptance in respect of a total of 17.55m Invergordon shares (75.02 per cent). The offer will remain open until November 30.

Rechem doubled

Rechem Environmental Services, which obtained a listing in May, announced doubled pre-tax profits of £3.61m against £1.88m for the six months to September 30. Turnover was 55 per cent ahead at £9.02m (vs. £5.81m). An interim dividend of 2.5p is declared. Earnings per 3p share came out at 8.9p (4.6p).

BOARD MEETINGS

Table listing board meetings for various companies including Anglo Leasing, Colson Group, Finance Church, etc., with dates and times.

If you were able to read all these top business publications every day... you wouldn't need McCarthy.

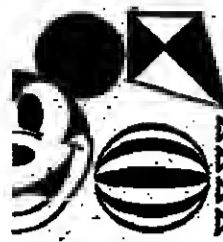


Attempting to wade through the world's top sixty business publications each day would leave little time for getting on with the business of the day.

McCarthy coupon form with fields for Name, Job Title, Company, Address, Postcode, Tel. No., and FT.

CITIBANK, N.A. AS DEPOSITARY BANK IS PLEASED TO ANNOUNCE THAT THE AMERICAN DEPOSITARY RECEIPTS (ADRS) OF BEAZER PLC ARE LISTED ON THE NEW YORK STOCK EXCHANGE EFFECTIVE OCTOBER 28, 1988 NYSE TRADING SYMBOL: BZR CITICORP

FINANCIAL TIMES SURVEY



After a buoyant few years, the world toy industry is facing more testing times.

Priorities are to prepare for the European single market and to devise a new generation of products. This, says David Churchill, could lead to even more globalisation of the sector

All work and little play

WITH LESS than 50 shopping days to go until Christmas, toy manufacturers worldwide are about to plunge into the most bustling season of the year. Only now are they going to learn whether the past months of planning, design, and heavy investment will bring rich profits, or a potentially disastrous drain on funds.

As up to two thirds of all toys and games are bought in the two months before Christmas the strength of consumer spending this year is being monitored as never before.

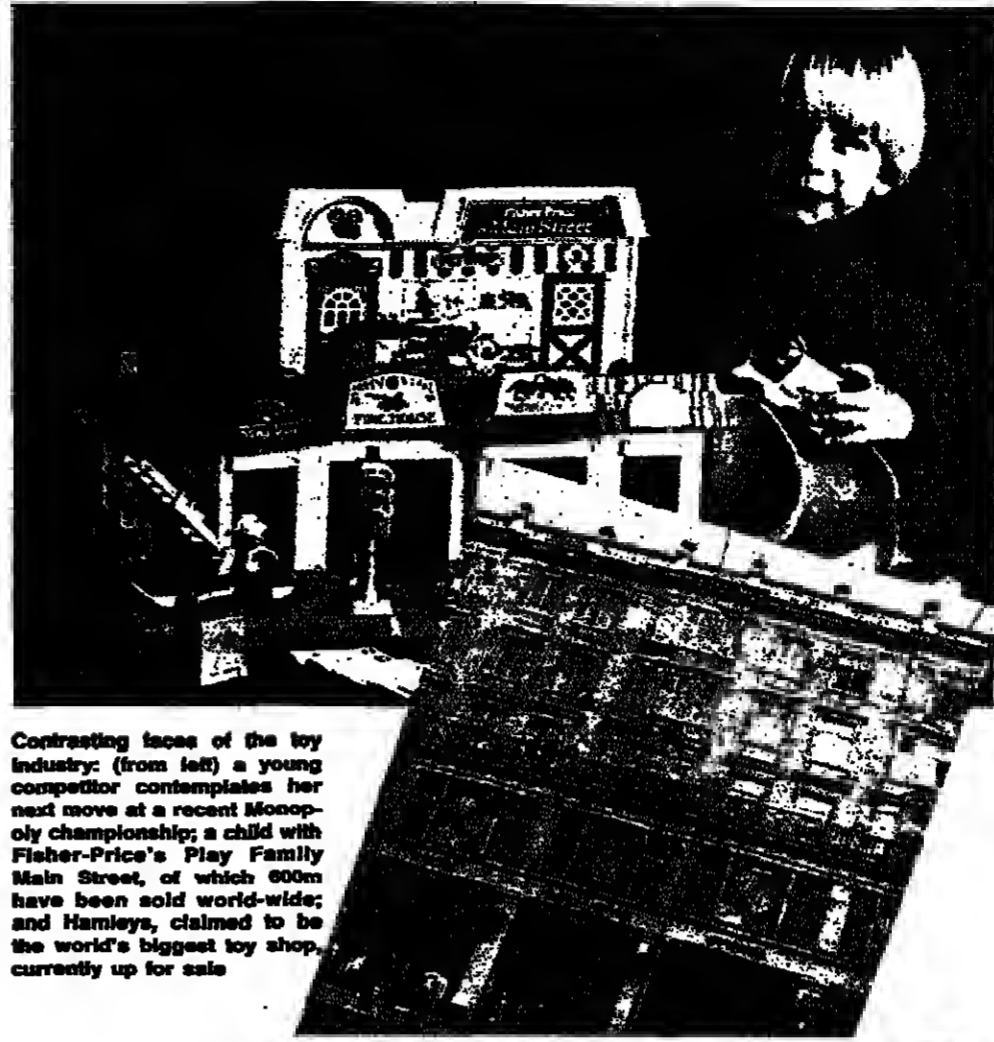
The buoyancy of spending in Britain's shops so far this year has made the industry rather more optimistic than usual as the Christmas run-in approaches.

Yet, ironically, the US toy industry has potentially the most optimistic outlook of all western toy markets. While the overall child market in Europe will decline by about five per cent over the next 30 years, and the Japanese market by 10 per cent, only the US child population is forecast to increase.

Major US operators such as Coleco Industries and Worlds of Wonder have both discovered that even buoyant sales in the mid-1980s were insufficient to stave off the more fundamental management and marketing problems which eventually forced them into bankruptcy. The lessons of the toy industry in the US - over-

production, over-hype and poor cost control - have not been lost on other manufacturers worldwide.

Moreover, US manufacturers' love-affair with high-tech toys - such as Worlds of Wonder's 'interactive' microchip crammed talking doll Julie - have turned parents and children off both because of the technology involved as well as the high prices.



Contrasting faces of the toy industry: (from left) a young competitor contemplates her next move at a recent Monopoly championship; a child with Fisher-Price's Play Family Main Street, of which 500m have been sold world-wide, and Hamleys, claimed to be the world's biggest toy shop, currently up for sale

TOYS and GAMES

accounted for well over a quarter of those sales and five companies - Hasbro, Mattel, Fisher-Price, Kenner Parker Tonka, and Tomy - between them represented almost one third of world sales.

Lego, for example, already has its own companies in 14 European countries and embraces the needs of different markets with multi-lingual packaging.

The growing 'globalisation' of the toy industry is also shown by the growth of Toys 'R' Us which claims to be the world's largest toy retail chain. By the end of this year it will have 18 UK stores all featuring its style of 'pile 'em high, sell 'em cheap' retailing to add to its 400 US stores. A more modest example of international toy retailing comes from the Early Learning chain, owned by the British company John Manzies, which has 50 outlets in the US, plus test outlets in Holland and Australia, in addition to its 250 UK stores.

Mr David Hawtin, director general of the British Toy and Hobby Manufacturers Association, believes that while the single market will undoubtedly boost economic growth, there will inevitably be a shaking out of the less efficient and uneconomic enterprises.

There will be extreme pressure on European toy companies to concentrate their production in fewer plants which have been made flexible enough through automation to serve Europe's variable tastes," he says. He foresees the creation of twinning arrange-

ments between small to medium-sized European toy companies.

Mr Hawtin suggests that there "may be a move by the Italian and French industries to persuade the European Commission that the toy industry is a sensitive sector which will require the negotiation of bilateral deals with countries outside the EC, and only when such deals are in place should the internal market for toy products be opened up."

He says that the BTEA view is that the EC "should not be an inward looking cartel."

Yet while toy industries world-wide consider the implications of frontier changes and demographic trends, other lifestyle changes may offer more opportunities.

Ms Fiona Stewart, a business consultant at the Henley Centre for Forecasting, says that more working women will cre-

ate a marketing opportunity for the sector, mothers may feel guilty about working and assuage their feelings by spending more on their children.

Whether or not it will be a good Christmas for the toy trade in the UK depends largely on consumers shrugging off the impact of higher interest rates and continuing to spend at the same rate as they have done all year.

Gordon Webb of the BTEA points out that toy sales in the first half of this year were about 10 per cent higher than the same time last year. "If

this continues into the second half of the year, and we have a good Christmas, then for the first time the toy industry will have achieved sales of over £1bn in a year," he says. Last year the value of retail sales of toys and games totalled around £900m.

Toy traders in the UK cling to the traditional and firmly held belief that even if consumers start to feel Chancellor Nigel Lawson's squeeze before Christmas then they will still find the money to give their children the latest toys and games as presents.

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enormous excitement and interest in the market.

"Gone are the vast majority of action characters, robots and transforming creatures which filled the shelves last year," reports the Argos stores chain, one of the largest toy retailers in Britain. "Back for the 1988 festivities are the familiar dolls, prams, trains and cars."

This trend first became apparent last Christmas when parents and their children started turning away from heavily-advertised toys towards more traditional products. Those retailers which had banked heavily on selling large volumes of such toys at discount prices soon found themselves forced to sell at a loss simply to shift the stock.

What the UK and other markets have re-discovered to their cost in recent years is that consumers - especially children - are fickle. In the early 1980s it seemed that nothing would stop the advance of electronic and video toys and games.

But just as quickly as they embraced these toys, so children forsook them for character toys such as Masters of the Universe. Now they have seemingly lost interest in this genre and are searching for something else, yet to be identified by the industry.

Mr Peter Eio, managing director of Lego in the UK, believes that the industry does not need to be so totally reliant on fashion. "In the pre-school market, for example, the entire consumer base changes every four to five years and mothers search longingly for the perennial toys that they themselves enjoyed in childhood," he says.

But the fickleness of fashion is not the only problem for the international toy trade: compression is the latest factor to take into account. This refers to the fact that while the target age group for toys and games used to run up to about 15, the growing sophistication of children means that once they are into their teens children from all countries are more interested in clothes, records, and videos than toys and games.

The world toy industry may need to do some serious thinking about where its products and markets should be directed in the decades ahead.

Waddingtons in games?

BRITAIN'S NUMBER 1 NAME IN GAMES

Waddingtons Games Ltd
 Castle House, Quinton, Leicestershire LE12 7PH
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EMBER 2 1988

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TOYS AND GAMES 3

TOY SAFETY

Playing by the rules

TOY MANUFACTURERS are putting a great deal of effort into trying to dispel what they call the 'myth of unsafe toys'.

Large be so if detailed cases can be 'packaged' and children and the rogue toys in question assembled for the cameras by campaigning groups.

be able to distance itself more effectively from the horror stories. Heavy promotion of a new 'Lion Mark' will start next year.

draw on a major European data bank of safety campaign successes and failures.



The kind of thing that gives the toy industry a bad name: this ring rattle pulled away from its suction base after a short period of use, revealing two sharp metal prongs.

The BTEA's own regular briefing to its members details the nature of the problem: 'Choking toys - call for more stringent controls'; 'Defective teddy bear firm-fined'; 'Dangerous clip-on ponies'; 'Bun demand for deadly blowpipes'.



Lion Mark: BTEA's symbol of safety, soon to be launched

these accidents were falls because toys had been left lying around.

Small children, again particularly those under three years of age, regularly seem to fall off wheeled toys, push small parts from construction sets up their noses, and cut themselves on miniature toy vehicles.

Mr Ian Scott, the Association's safety spokesman and chairman of the BTEA's toy safety committee, agrees that there have been objections from some EC manufacturers.

Mr Peter Burke, head of policy and publicity at the Department of Trade and Industry's Consumer Safety Unit, sees the European Commission as having a role to play in drawing together the 'best practice' among EC member states.

From the consumer viewpoint, however, the most significant breakthrough recently in the UK has undoubtedly been the 1987 Consumer Protection Act which, following campaigning by groups like the Consumers' Association, has introduced for the first time the simple provision that all goods sold should be safe.

The first part of the Act came into force in March this year and relates to product liability. It gives those injured by a defective product the right to take action against producers, importers (into the EC, not just into the UK), and 'own-branders' - suppliers who put their own name on a product.

traders and campaigning groups take, it seems impossible to eliminate accidents resulting from the abuse of products and there will never be a substitute for parental supervision.

It is one thing to produce completely safe toys, it is impossible, however, to ensure that every consumer will use toys completely safely.

He tells the story of a balding man who sat opposite him at a recent meeting. The man was 'sporting a perfectly formed pink circle in the middle of his forehead'.

How can a manufacturer educate such an irresponsible consumer? asks Mr Taylor.

Diane Summers

SOUTH EAST ASIA

Ahead of the pack

ALTHOUGH THE export-led economies of Asia have now progressed towards manufacturing a wide range of sophisticated consumer goods, they have not left behind basic industries such as toys and textiles which provided the foundations for their growth.

Five Asian countries - Taiwan, South Korea, Japan, Hong Kong and China - dominate the world toy export market.

the world toy market. China achieved its pre-eminent position by combining Hong Kong's technical expertise and contacts with its own cheap and plentiful labour supply.

These factors last year enabled Hong Kong and China to supply 30 per cent of total US toy imports.

Five Asian countries now dominate the world toy export market

The move by Hong Kong toy manufacturers into China is vividly illustrated by the export figures for the two.

Washington's decision earlier this year to end the General System of Preferences (GSP), under which Hong Kong, South Korea, Taiwan and Singapore enjoyed certain trading privileges, has given toy manufacturers in these countries an additional reason to look overseas for new production centres.

Thailand is going to be a serious competitor, says Mr Edmund Young, vice president of Hong Kong's Perfekta Enterprises.

The growth in China's toy exports, in alliance with the

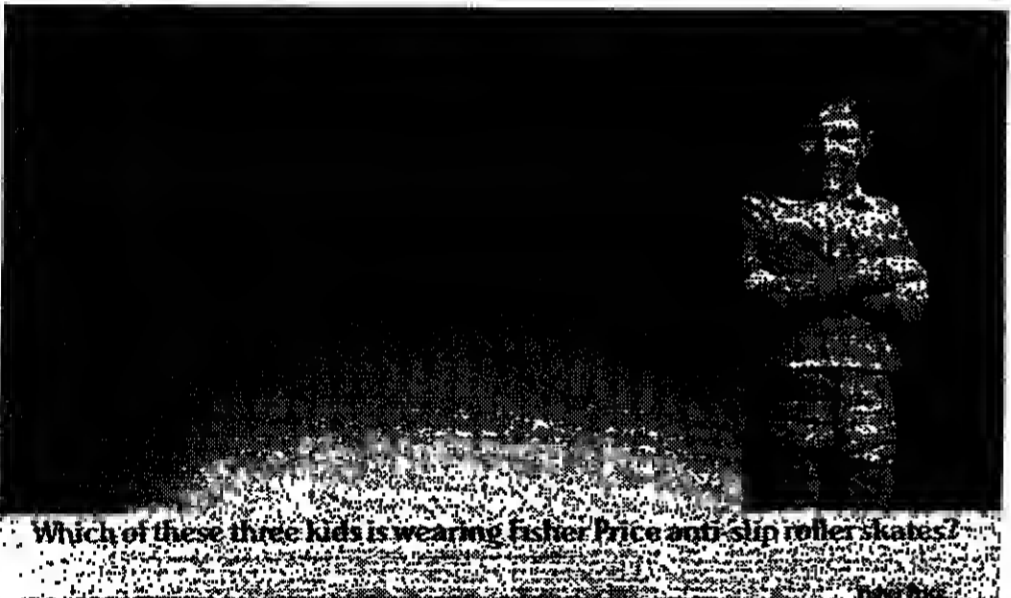
Hong Kong toy industry, and the emergence of Thailand as a major player are increasing the pressure on toy industries elsewhere in Asia.

With the soaring value of the yen, Japan is now manufacturing only at the very top end of the market, particularly in the more sophisticated electronic toys and video games sector.

Since Hong Kong's currency is linked to the US dollar, manufacturers in the British colony have had an extra competitive edge, particularly in the European toy market.

This has been a solid, rather than spectacular year for the industry, largely because the big US toy makers have failed to come up with products to match the success of Cabbage Patch dolls.

Michael Murray



Turning safety to advantage: roller-skating, regarded by parents as an inherently dangerous activity for small children, was seen to provide a marketing opportunity by Fisher-Price Toys

ADVERTISING

Dangers of excess

FIRST IT was the tobacco industry, now it is the drinks trade. Will it be the fate of the toy manufacturers to be the next victim of the 'clean up advertising' brigade?

Toys and games companies are increasingly worried that further restrictions in the way they market their products, especially in their use of television advertising, are in the pipeline.

What irritates them is that they already abide by an extensive and well regulated code of practice (which takes up about a fifth of the Independent Broadcasting Authority's total guidelines on what is permitted in broadcast advertising), and that, in practice, there are few actual complaints about toy advertising.

On top of the code of practice, which has not needed to be changed for many years, additional curbs have emerged in recent months. TV-am, the breakfast-time franchisee which is having a hard time with the IBA generally, has been forced to cut the amount of toy advertising it carries to 15 per cent.

Toy manufacturers also think that their creative approaches, already regulated, are being subject to intensified interference. Lego had devised an international advertising campaign, but commercials happily transmitted throughout Europe were found 'unrealistic' and sent back for revision by the TV vetters at the Independent Television Contractors Association.

The toy trade is particularly incensed that companies marketing other products aimed at children, from hamburgers to shoes, can get away with exciting their youthful desires in their commercials to a degree

that is impossible for them, given their special restraints. For the IBA this is all a lot of fuss about nothing. No more toy campaigns are being rejected than in the past; the code has not changed and there are no plans to tighten up the rules.

These days companies adopt a more subtle and creative approach, using fantasy effectively rather than the hard sell. This can cause the ITCA

Toy companies think that their creative approaches are being subject to more interference

some head-scratching, anxious as it is to ensure that the advertising does not exploit the natural credulity of children. It could well be that what advertising agencies consider to be their brilliant new ideas are being subject to carping from the ITCA, wrestling with a reaction to this new format.

Other innovations from the manufacturers could also contribute to the current confusion. Toys travel well: successes in the US more often than not thrive in Europe. So toy advertising is becoming multinational, and American campaigns are transported without change to the UK.

A bigger foreign threat comes from the European Community, which tends to be more bureaucratic than the UK. Already toy advertising is banned in Greece, and, although this carries no weight in other EC member countries, manufacturers are running scared of some sudden directive from Brussels which establishes the most stringent

advertising controls of one member as the standard for all. There is an element of paranoia, which bears little relation to the fairly stable situation.

Like many other companies, toy manufacturers are more likely to shift from television because of its cost rather than because of its restrictions. Eas Porter, of San Serif, which markets Trivial Pursuit in the UK, and has recently launched its own games, like Ubi, says: 'TV campaigns are not the best use of the budget. Sometimes large-scale on-pack offers have a greater reach. You can't really explain a game on television. Our approach is a mix of promotions, print, PR and some prompt TV advertising.'

Phil Strachan, of Fisher-Price, mentions the sophistication of children, who are much more worldly-wise about TV advertising than many manufacturers and the ITCA give them credit for. 'We maintain that children taught us all we know. Children model themselves on someone close, and our toys and our advertising therefore mirror what already exists rather than seeking to lead or initiate change.'

Toy advertising has become part of the wider concern about how we treat children. No one agrees that they should be protected, but that they should be able to enjoy the innocence of their age. Anyone reading the TV advertising guidelines would realise that the broadcasting authorities take seriously their commitment to commercials that encourage good behaviour, do not raise too-high expectations or take advantage of a child's credulity. Since 1976, the price of toys has had to be maintained to reduce the badgering of parents for unobtainable goodies.

Advertising is carrying some of the flak for more sinister abuses of children now being publicised, and the trade has over reacted to the criticism. Calm nerves are needed to prevent current misunderstandings developing into an unwanted and unnecessary conflict.

Anthony Thorncroft

Advertisement for Parker's Pictionary game. It features a large illustration of a person hanging from a gallows, a drawing of a stick figure, and the text: 'Seconds to draw a word in pictures. 2 minutes silence for Henry. Pictionary. The new game from Parker. Manufactured and distributed by Kenner Parker Tonka, Hargrave House, Belmont Road, Maidenhead, Berks. © 1985 Pictionary Inc., Seattle, Washington 98109. PARKER logo.

TECHNOLOGY

Rapid access to telephone numbers

By Della Bradshaw

BUSINESSES in the UK will soon have a quicker and more efficient way to obtain telephone numbers than the traditional telephone directory or British Telecom (BT) directory inquiry system.

BT has just begun trials of a service called Phonebase, which allows a business customer with a personal computer and modem (which translates the analogue telephone signal into a computer signal) to communicate directly with BT's directory inquiry computer system. A full commercial service will begin next year.

Companies taking part in the trial are given an access number to communicate with the directory inquiry computer and a password. They can dial up the computer and search any of three databases: residential, business or government.

The lists of names and telephone numbers, which are displayed on the computer screen, are pared down by adding details of the address of the required company or individual.

A similar service, for both domestic and business subscribers, is already widespread in France, pioneered by France Telecom. Unlike the BT service, where the customers have to provide their own terminals, the French telephone company's package includes a Minitel communications terminal.

In BT's trial, customers pay only for the call time. They can remain connected to the BT computer and interrogate it all day.

BT has not yet issued the tariffs for its commercial service but it is expected to be a yearly usage charge, plus the cost of the calls. Larger companies are likely to install a dedicated line between their offices and the BT directory inquiry computer.

A big advantage of Phonebase over the paper directory is that it will be regularly updated.

By taking the heavy business users out of the dial-up directory inquiry system, BT hopes that smaller customers will receive a better service.

Silicon Valley is renowned for the mushrooming of start-up companies. Less widely recognised, however, as a factor in this Californian area's development into a centre of high-tech innovation is the pace at which new technologies are transferred from laboratory to commercial production.

The ability to bring new products to market in record time is becoming increasingly critical as product life-cycles shorten and the costs of development rise.

This acceleration of the move from "lab to fab" is driven partly by the eagerness of venture capitalists to take profits from their investment and partly by need for a revenue stream at the fledgling ventures.

Applying the Silicon Valley formula to superconductivity, Conductus Inc of Palo Alto, aims to be the first to market superconducting computer microchips. These devices would be faster than conventional semiconductor chips and could become the building blocks of a new generation of high performance computers.

Conductus was formed in September last year by West Coast venture capitalists, who put together a business plan and then attracted a group of scientists from Stanford University and the University of California at Berkeley to lead the work.

The company will focus on achieving economically viable electronics applications of the new "high temperature" superconductors discovered only two years ago but already the subject of an intensive research effort world-wide, particularly in Japan. Conductus is less interested in setting records for the temperature at which materials lose their electrical resistance and become superconductors.

"This is going to be the first test case of which works better, the American entrepreneurial style or the Japanese collaboration of big organisations," says Jack Wilson, a vice president at Dataquest, the market research organisation.

Conductus has received a boost that will provide it with some of the advantages enjoyed by large corporations, while preserving its independent spirit, with the acquisition of 15 per cent of its equity by Hewlett-Packard, one of Silicon Valley's largest companies.

The investment, understood to be about \$5m (£3m), will increase Conductus's capital to about \$11m. That will be enhanced by equipment loans and Hewlett-Packard's internal research funding for superconductivity. The two companies will share scientific projects, personnel and resources.

Digital interactive video, a combination of desk-top computing and video recording, is another example of a technology being hastened from laboratory to market. Intel Corporation, the microprocessor manufacturer which last month acquired the Digital Video Interactive Technology Venture from General Electric, is developing low cost chips to implement video com-



Where the dust never settles on a discovery

Louise Kehoe looks at the emphasis US companies place on exploiting the commercial potential of scientific advances

pression technology. This should open up markets for computer add-on products and eventually for a new range of consumer electronics goods.

DVI is a means of storing and replaying full motion video on a computer. It can be added to the audio, graphics and text display capabilities of a personal computer (PC). In the short term, it is seen as a lower cost, higher performance alternative to the analogue laser disks (video disks) used in training and education. Eventually, however, it is expected to spread to all sorts of information and entertainment systems.

Potential uses of DVI might include a mail order "catalogue" incorporating videos of the goods offered, or a travel brochure with videos of resorts. In education, a video recording of the performance of a play could be interleaved with the text and with information about the writer.

By 1990, Intel expects to bring DVI to the price levels demanded by consumer applications. In the home, several possibilities exist. For example, DVI instructions on how to use a \$500 camera would allow the images to be manipulated to simulate focus, composition and lighting. A gardening instruction program might allow the user to practise pruning a rose bush without butchering the real thing.

The key to the technology is the ability to compress digital information. A motion video requires the display of 30 frames per second and each frame would normally contain several megabytes of data. Without compression, a CD-ROM could record only

about 30 seconds of digital video. Using special algorithms, however, DVI compresses video so that each second of motion takes up only 150 kilobytes of storage space on a computer disk, enabling a CD-ROM to hold up to one hour of video. When the video is played back on a PC, Intel's DVI chips will decompress the data, recreating the original motion pictures.



Next year, the company plans to introduce add-on circuit boards for PCs. By 1990, it expects to have completed the development of a low cost DVI chip set.

In Europe, Philips claims to have established a de facto standard in this area with its CDI (compact disc interactive), on which it has been working with Sony of Japan and Microsoft, the US software company. Several publishers are interested and Grolier, the encyclopaedia company, has taken a CDI licence. Philips plans to show a prototype consumer product before the end of this year.

As glasnost reached Silicon Valley? While recently reported US-Soviet ventures in PC manufacturing demonstrate a warming of relations, deeply held suspicions that the Soviets are out to steal US technology remain.

Silicon Valley is strictly out of bounds for Soviet diplomats. Even casual contact with representatives of the Eastern Bloc by high-tech employees is strongly discouraged by most big corporations.

Increasingly, however, many in the PC industry feel that they are missing an opportunity to sell to a new market. Some are convinced that their European and Japanese rivals will take advantage of less stringent export controls to win lucrative orders from the Soviet Union.

Despite the recent liberalisation of US rules regarding the selling of computer equipment to the Eastern Bloc and the lifting of embargoes on most PC exports, US companies must still pick their way through a mass of red tape in order to ship PC equipment or software to a Soviet customer.

US high-tech companies venturing across this new trade frontier also face the prospect of close monitoring by US intelligence agencies and the perceived, if not real, threat of retaliatory action. FBI counter espionage agents routinely question US high-tech executives after business trips to the Soviet Union. The CIA is also active in protecting technology secrets.

One US computer company that has nevertheless persisted in attempts to sell to the Soviets is California Micro-

electronic Systems (CMS). After three years of negotiation, the trade consultancy group is about to open a showroom in Moscow, through which it aims to sell US PCs and related equipment.

Now that a formal agreement has been signed by the Soviet Academy of Science, CMS plans to open the Moscow centre by the end of the year. Others will follow in Leningrad, Novosibirsk, Perm, Togliatti and Tallinn. Each will provide an opportunity for the Soviets to view if not the latest, then at least widely used PC hardware and software from the West.

CMS is negotiating agreements to represent US manufacturers of computers, printers, peripherals, monitors, power supplies and local area network systems. First to sign up as a supplier is Hercules Computer, maker of add-on video enhancement circuit boards for PCs.

"We recognise that the Soviet Union represents a huge potential market for our products," says Nancy Scott, who heads international marketing at Hercules. The company's video boards support specialised fonts and multilingual characters, which will allow Soviet software designers to develop programs using Cyrillic characters.

CMS aims to attract orders from Soviet Government ministries, import/export agencies, collective farm complexes, factories and other enterprises.

The market for computer memory chips, worth more than \$3bn and currently dominated by Japanese semiconductor manufacturers, could be reshaped by a new technology that promises to yield faster, cheaper and non-volatile Dynamic Random Access Memories (D-Rams).

Using ferroelectric materials, Ramtron Corporation of Colorado Springs, a subsidiary of Ramtron Australia, is developing a four megabit D-Ram, which can store four times as much data as the memory chips now available. Ramtron has reached an agreement with NMB Semiconductor of Japan to collaborate in the development and manufacture of these chips.

Ferroelectric materials can be polarised by an electric current. This property can be used as a binary data storage medium in much the same way as magnetic disks or tape. Ramtron has developed ferroelectric data storage devices that are electrically compatible with standard semiconductor components, providing a potentially exciting new technology for memory chips.

The "ferro" memory chips are easier and cheaper to manufacture than standard semiconductor D-Rams, industry experts say. They also have the advantage of being non-volatile, which means that they do not lose data when the power supply is turned off. Today, non-volatile memory chips are more complex and more expensive than standard D-Rams.

A four megabit, non-volatile D-Ram could eventually replace several types of memory chip currently used in computer systems.

Screenplay for the longhand writers

By Paul Abraham

WANG Laboratories, the US computer company, yesterday announced the introduction of the first part of a new personal computing system.

Wang claims that the system, called Freestyle, will revolutionise the way organisations handle documents. The system enables users to write in longhand on documents shown on a computer screen. They use a light pen on a plastic pad to make notes that appear at the cursor point on screen. Voice comments can also be simultaneously recorded. The revised text and commentary can then be transmitted through electronic mail.

Future developments of the Freestyle system include a tool kit to allow the storage of Freestyle documents in databases that use software supplied by other companies. Wang says it intends to integrate Freestyle into its own imaging system in the spring.

The company believes the product will be particularly attractive to managers who have proved unwilling to learn keyboard skills.

Freestyle will work on any high resolution AT monitor or standard resolution black and white Hercules screen.

The system has been tested at the Westinghouse Trading Company (WTC), a Massachusetts-based department of Westinghouse Electric.

Harry Bolan, technical products manager at WTC, says: "With voice integration, our trading specialists, who travel frequently, can produce messages comprised of voice annotated documents and images that have the effect of face-to-face meetings."

The basic system, which includes a plastic tablet, pen and software, costs \$1,995 (£1,100). The voice module is \$1,495 and the scanner \$3,550, although Wang says that only one scanner is needed per work group.

Freestyle is expected to be available in the US in January and in Europe by April.

Wang believes that Freestyle will show that the company has retained the initiative as an innovator. Sales of their dedicated word processing systems have recently slowed.

connectivity n. (I.T.)
the technique of linking computers in networks to give a work group access to company information and computer resources.
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See Novell NetWare™ passim.

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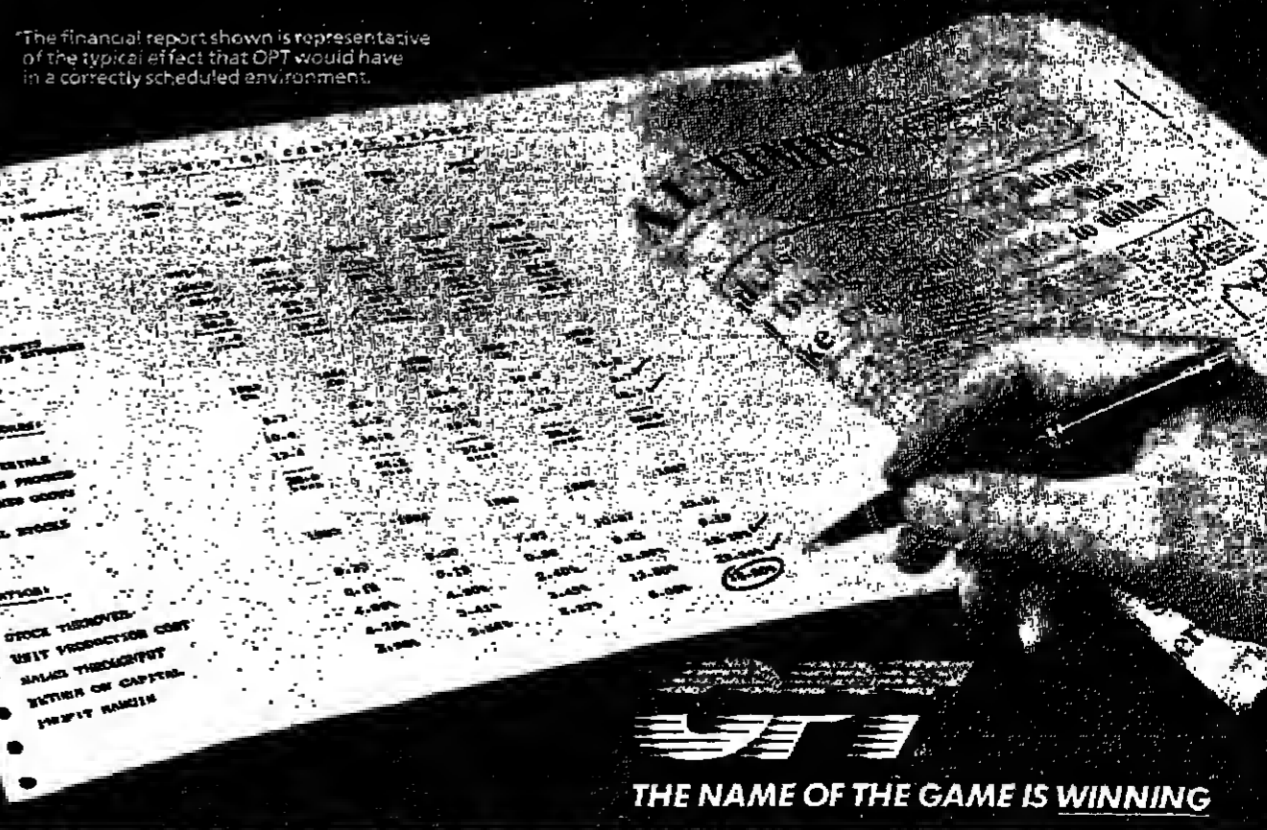
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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Fund, Abbey Growth, etc., with columns for name, manager, and other details.

Table listing unit trusts under the heading 'Bank of Ireland Fund Managers Ltd', including Bank of Ireland Fund, Bank of Ireland Growth, etc.

Table listing unit trusts under the heading 'Cannock Fund Managers Ltd', including Cannock Fund, Cannock Growth, etc.

Table listing unit trusts under the heading 'Fidelity Investment Services Ltd', including Fidelity Fund, Fidelity Growth, etc.

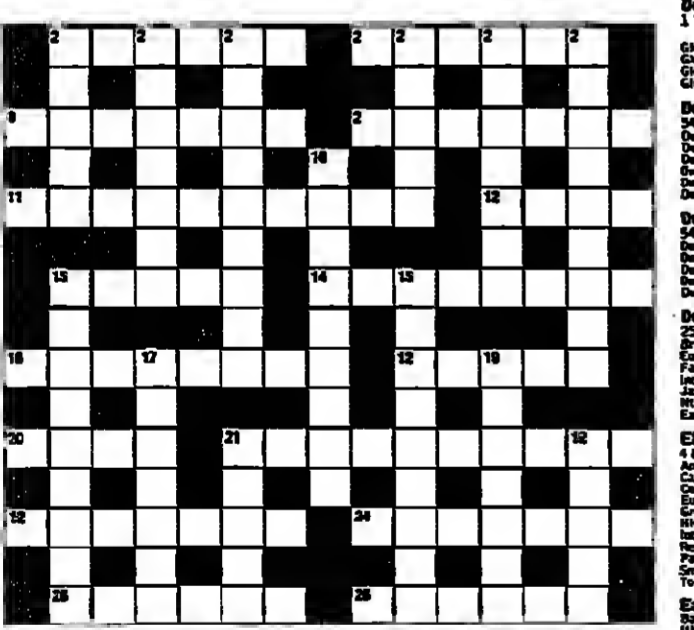
Table listing unit trusts under the heading 'Henderson Unit Trust Managers Ltd', including Henderson Fund, Henderson Growth, etc.

Table listing unit trusts under the heading 'M & G Securities', including M & G Fund, M & G Growth, etc.

Table listing unit trusts under the heading 'M&G Securities (Continued)', including M & G Fund, M & G Growth, etc.

Table listing unit trusts under the heading 'Royal London Unit Trust Managers Ltd', including Royal London Fund, Royal London Growth, etc.

CROSSWORD No. 6,775 Set by VIXEN



- ACROSS
1 Str by subtle means (6)
4 The French examination - the final (6)
8 Ideal characters found accepting an honour a problem (7)
9 Separating it in smart environment (7)
11 In favour of giving up the file (10)
12 A stake providing support (4)
13 Country scholar after back-massage (5)
14 A scientist bearing in a mug (5)
16 Shut up about money required for a bit of building (8)
18 The weapon of a novice in general (5)
20 Hash is available in the canteen (4)
21 Tiny flowers possibly matter less (10)
23 Try a little more temptingly presented (7)
24 The drop-out appearing in black and white will be copied (7)
25 Official report about a new tendency (6)
26 Monstrous female Greek absorbed in love letter (8)
DOWN
1 Rose trains and that is right (5)
2 A painter's jacket (7)

Table listing unit trusts under the heading 'Bank of Ireland Fund Managers Ltd (Continued)', including Bank of Ireland Fund, Bank of Ireland Growth, etc.

Table listing unit trusts under the heading 'Cannock Fund Managers Ltd (Continued)', including Cannock Fund, Cannock Growth, etc.

Table listing unit trusts under the heading 'Fidelity Investment Services Ltd (Continued)', including Fidelity Fund, Fidelity Growth, etc.

Table listing unit trusts under the heading 'Henderson Unit Trust Managers Ltd (Continued)', including Henderson Fund, Henderson Growth, etc.

Table listing unit trusts under the heading 'M & G Securities (Continued)', including M & G Fund, M & G Growth, etc.

GUIDE TO UNIT TRUST PRICING
INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new investors.

Johnnie To

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. Includes sub-sections like 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Company Name	Code	Unit Price	% Change	Company Name	Code	Unit Price	% Change
Norwich Union Asset Management Ltd	NULM	1.18	+0.1	Shield Assurance Ltd	SAL	0.98	+0.2
Norwich Union Life Insurance Sec	NULIS	1.15	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Prudential Capital Life Assn Co Ltd	PCL	1.22	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Royal Heritage Life Assurance Ltd	RHL	1.10	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Scottish Equitable Life Assn. Sec.	SEL	1.15	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Standard Life Assurance Company	SLA	1.18	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Trustee Savings Bank	TSB	1.20	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1
Windsor Life Assn Co Ltd	WLA	1.16	+0.1	Sun Life of Canada (UK) Ltd	SUL	1.12	+0.1

AIM AUTHORIZED

AIM AUTHORIZED

AIM Authorized Unit Trusts:

Company Name	Code	Unit Price	% Change
Allied Dunbar International Fund Mgmt.	ADI	1.18	+0.1
Allied Dunbar International Fund Mgmt.	ADI	1.18	+0.1
Allied Dunbar International Fund Mgmt.	ADI	1.18	+0.1

OFFSHORE AND OVERSEAS

UK LISTED

UK LISTED Unit Trusts:

Company Name	Code	Unit Price	% Change
UK LISTED	UKL	1.18	+0.1
UK LISTED	UKL	1.18	+0.1
UK LISTED	UKL	1.18	+0.1

MANAGEMENT SERVICES

MANAGEMENT SERVICES

MANAGEMENT SERVICES Unit Trusts:

Company Name	Code	Unit Price	% Change
MANAGEMENT SERVICES	MS	1.18	+0.1
MANAGEMENT SERVICES	MS	1.18	+0.1
MANAGEMENT SERVICES	MS	1.18	+0.1

OFFSHORE INSURANCES

OFFSHORE INSURANCES

OFFSHORE INSURANCES Unit Trusts:

Company Name	Code	Unit Price	% Change
OFFSHORE INSURANCES	OIS	1.18	+0.1
OFFSHORE INSURANCES	OIS	1.18	+0.1
OFFSHORE INSURANCES	OIS	1.18	+0.1

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FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, and Americans, with columns for Name, Price, Yield, and other metrics.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds, listing various offshore unit trusts with columns for Name, Price, Yield, and other financial metrics.

Money Market Trust Funds

Table of Money Market Trust Funds, listing various money market funds with columns for Name, Price, Yield, and other metrics.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing various bank accounts with columns for Name, Price, Yield, and other metrics.

UNIT TRUST NOTES: Detailed notes regarding unit trusts, including information on charges, distributions, and other important details.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling shows little reaction

STERLING SHOWED a broadly neutral response to yesterday's release of the Autumn Economic Statement by Mr Nigel Lawson, UK Chancellor of the Exchequer.

Despite this, the US unit retained a bearish undertone. Central banks seem determined to prevent the dollar falling sharply in the run up to next week's US Presidential election.

The dollar stayed above the levels touched in Tokyo, following further intervention by the Bank of Japan.

£ IN NEW YORK

Table showing exchange rates for various currencies including US Dollar, Swiss Franc, and others.

CURRENCY RATES

Table showing currency rates for Sterling, US Dollar, and other major currencies.

CURRENCY MOVEMENTS

Table showing currency movements and changes for various currencies.

OTHER CURRENCIES

Table showing exchange rates for other currencies like Argentine, Australian, and others.

MONEY MARKETS

London rates steady

THERE WAS little immediate response on the London money market with overnight Treasury bills drained £78m.

The second ECU Treasury bill tender will be held by the Bank of England on November 8.

In New York the Federal Reserve added temporary reserves to the banking system.

The Bank of England initially forecast a money market shortage of \$400m, but revised this to \$250m at noon.

London, and maintained these levels during the early part of trading in New York.

Analysts were quick to point out that the current high level of interest rates could be here for some time.

The dollar stayed above the levels touched in Tokyo, following further intervention by the Bank of Japan.

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EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates.

MONEY RATES

Table showing money rates for New York and London.

LONDON MONEY RATES

Table showing London money rates for various currencies.

FINANCIAL FUTURES

Nervous on statement

REACTION ON the London futures market to the Autumn Statement from the Chancellor of the Exchequer was somewhat nervous.

Long term gilt futures finished lower on the day. Short sterling futures rose ahead of the Statement, but closed weaker.

City economists said gilts should react favourably to news that the UK public sector planning total is £2,250m less than expected.

There were suggestions that some of the Treasury's assumptions for next year are over optimistic.

LIFFE LIANG GILT FUTURES OPTIONS

Table showing Liffe Liang gilt futures options.

LIFFE US TREASURY BOND FUTURES OPTIONS

Table showing Liffe US Treasury bond futures options.

LIFFE EURO DOLLAR FUTURES

Table showing Liffe Euro Dollar futures.

LIFFE SHORT STERLING

Table showing Liffe short sterling rates.

LIFFE 9% INTERBANK GILT

Table showing Liffe 9% interbank gilt rates.

LIFFE 10% INTERBANK GILT

Table showing Liffe 10% interbank gilt rates.

LIFFE 12% INTERBANK GILT

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LIFFE 12% INTERBANK GILT

Table showing Liffe 12% interbank gilt rates.

LIFFE 15% INTERBANK GILT

Table showing Liffe 15% interbank gilt rates.

EUROPEAN OPTIONS EXCHANGE

Table showing European options exchange data for various currencies and options.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

Advertisement for City of Barcelona Japanese Yen Bonds - First Series (1988). Includes details about the bond issue, interest rate, and participating financial institutions.

LONDON STOCK EXCHANGE

Cautious response to the Chancellor

DESPITE A list of uncertainties ranging from the implications of the UK Autumn Economic Statement to the prospects for next week's US Presidential elections, the UK stock market acquitted itself satisfactorily yesterday.

While the international blue chips were subdued by currency factors, overall turnover in the market increased significantly from Monday's level. A good two-way trade was seen in leading domestic stocks until the market quietened down as Mr Nigel Lawson, the UK Chancellor of the Exchequer, started to deliver his speech on the economy to the House of Commons.

The prediction that the UK economy would grow by 4.5 per cent this year against a Budget forecast of 3 per cent, while regarded as encouraging in the City of London, had little effect on share prices which remained firm as the session drew to its close. With Wall

Street moving uncertainly in early deals, and several European markets shut down for All Saints' Day, UK stocks closed below their best levels. The FT-SE index ended a net 5.4 points ahead at 1877.8. The 1850 mark remains a significant support level for the index. Seaq volume increased to 471.8m shares from the 348.5m on Monday.

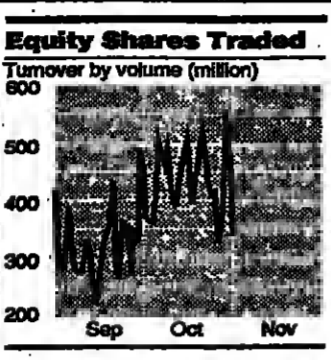
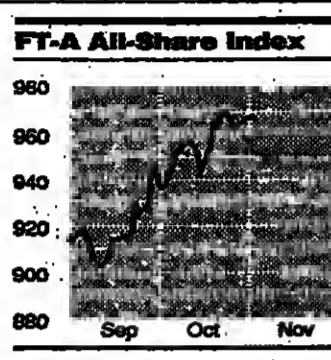
The cloud still hovering over the US currency left international blue chips without support. Turnover in such major names as ICI and Glaxo fell far short of the 1m share level. With Europe worried about the dollar, the US worried about the Presidential Elec-

FINANCIAL TIMES STOCK INDICES table with columns for Nov, Oct, Year, High, Low, and Since Completion.

S.E. ACTIVITY Indices table with columns for Oct, Oct, and Oct 28.

Spotlight on NEI again

Northern Engineering Industries (NEI) surged in early trading on rumours that a counter-stake was being built up to rival the 4.7 per cent rise taken last week by Rolls-Royce. Suggesting that a raid was being mounted in the market sent the shares as high as 130p before they settled in steady trading to close a net 3 higher at 126p.



deserved re-rating. Porter said, "Reckitt has three projects, all of which are expected to produce news in the next 12 months. Clinical trials are well underway on an ulcer treatment using Polyacrylate in combination with Smith-Kline's Tagamet. Reckitt's anti-depressant idoxazon is near the end of phase two trials, and an epilepsy treatment with promising potential are the key programmes.

sparked off speculative interest which lifted the shares to 260p bid before a close of 5 up at 273p. Following a heavy round 180p despite revealing sharply higher mid-term revenue, but Polypipe hardened to 181p following a buy signal from BZW coupled with the chairman's confident review of prospects at yesterday's annual meeting.

at 78p. Electrical and telecoms issues saw heavy trading in GEC, where 8.5m shares changed hands amid a continuation of recent stories as the price rose 3 1/2 to 179p and British Telecom, which rose 4 to 289 1/2p in turnover of 9.2m. Dealers reported good two-way trade in BT.

Cable & Wireless rose 5 to 406p in turnover of 2.1m. A consensus emerged that C&W is unlikely to increase its 30p per share offer for Telephone Rentals (TR), despite receiving only 0.42 per cent acceptances at the first deadline.

Chase Manhattan analyst Patrick Hickey issued a take profits advice to TR shareholders, saying that a counter-bid is unlikely and that any agreed terms would see only a modest price increase in the C&W offer price. He agreed with speculation that if C&W does not like the price being set by the market it will walk away from the deal.

6 to 206p on more-than-doubled profits and GC Floorings advanced 4 to 62p after yesterday's annual meeting. British Household Plumber 18 to 238p in a restricted market while Metal Clovers regained 7 to 215p and Minty advanced 10 to 235p. Reassuring newspaper comment helped Yale & Valor recover 12 to 35p and Smiths Industries ran higher late to end 8 dearer at 271p.

Leisure stocks were quieter. Ladbroke enjoyed a County NatWest WoodMac buy recommendation and rose 4 to 456p, while Trusthouse Forte came back into favour and rose 7 to 271p in good trade of 3.2m shares. Owners Abroad crept 4 higher to 79p as speculation that it will attract predatory interest increased.

Speculation surrounding the Rolls Royce stake in NEI helped motor stocks higher, with Lucas - up 10 to 588p - benefiting most. Jaguar was also well supported as word of a large buyer sent the shares rising 6 to close at 283p. Motor component groups were firmer after Armstrong Equipment released a bullish statement about its trading prospects for the rest of the year.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks with columns for Stock, Volume, Change, and % Change.

sent the shares soaring. Telecom speculation continued to fuel above-average demand for Tootal and the shares closed only a few pence short of the year's best level at 119 1/2p, up 4%. Market stories continued to point to DMC, the French group once linked with Dawson International, as the most likely predator. Dawson also moved higher, responding to the Prudential Corporation holding of 5 per cent with a rise of 5 to 225p.

When you invest in Chile, there are harder things to climb than the Andes. Advertisement for Zurfund International Limited.

Reckitt branded

Reckitt & Colman rose 16 to 950p in turnover of 663,000 shares as attention was again focused on its fundamental value and brand name strength. Dealers reported reasonable interest in a stock which has languished for several months before rallying recently following a presentation at Warburg Securities.

NEW HIGHS AND LOWS FOR 1988

- List of new highs and lows for 1988 including companies like British Telecom, GEC, and others.

APPOINTMENTS

- List of appointments for various companies including Sir Philip Foreman, UCL Group, and others.

Blue Arrow chief

- Mr John K. Sharkey has been appointed to the board of BLUE ARROW as chief executive officer of the Blue Arrow Employment Group. Mr William van Someren Greve has been appointed an executive director of EBC AMRO BANK.

Mr R.S. Weir has been appointed managing director of REGENCY HOMES, Newbury.

- Mr Jeremy Thompson, a director, has been appointed managing director of TRANWOOD BARRI, in succession to Mr Peter Earl who remains executive chairman. Mr Earl is chief executive of the parent company, Tranwood. Mr John Gilmore becomes financial director of Tranwood Earl, and Mr Paul Newman, an associate director, is made a director.

ZURFUND INTERNATIONAL LIMITED advertisement with logo and contact information for various offices.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks including Time Inc., American Express, and others with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks including Alcan, Inco, and others with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing bank and leasing stocks including Nat West, HSBC, and others with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks including Heineken, Carlsberg, and others with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks including Biffaward, Bovis, and others with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS - Contd

Continuation of building, timber, and road stocks table.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks including ICI, Shell, and others with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and store stocks including Debenhams, Next, and others with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks including Biffaward, Bovis, and others with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical stocks including British Telecom, British Gas, and others with columns for stock name, price, and change.

ELECTRICALS - Contd

Continuation of electrical stocks table.

ENGINEERING

Table listing engineering stocks including BAE Systems, British Aerospace, and others with columns for stock name, price, and change.

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ENGINEERING - Contd

Continuation of engineering stocks table.

FOOD, GROCERIES, ETC

Table listing food and grocery stocks including Asda, Sainsbury, and others with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotel and catering stocks including Whitbread, TSB, and others with columns for stock name, price, and change.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks including British Steel, British Airways, and others with columns for stock name, price, and change.

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INDUSTRIALS (Misc.) - Contd

Continuation of miscellaneous industrial stocks table.

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INDUSTRIALS (Misc.) - Contd

Continuation of miscellaneous industrial stocks table.

INDUSTRIALS (Misc.) - Contd

Continuation of miscellaneous industrial stocks table.

INSURANCES

Table listing insurance stocks including Prudential, Aviva, and others with columns for stock name, price, and change.

LEISURE

Table listing leisure stocks including Virgin, British Airways, and others with columns for stock name, price, and change.

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LONDON SHARE SERVICE

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LEISURE - Contd

Table of Leisure stocks including TV, Video, and Music companies with columns for High, Low, Stock, Price, Div, Yld, and P/E.

PROPERTY - Contd

Table of Property stocks including various real estate and housing companies.

TEXTILES - Contd

Table of Textiles stocks including clothing and textile manufacturers.

TOBACCO

Table of Tobacco stocks including British American Tobacco and others.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, and Land stocks including investment trusts and financial institutions.

TRUSTS, FINANCE, LAND - Contd

Continuation of Trusts, Finance, and Land stocks table.

OIL AND GAS - Contd

Table of Oil and Gas stocks including energy and oil companies.

MINES - Contd

Table of Mines stocks including various mining companies.

MOTORS, AIRCRAFT TRADES

Table of Motors and Aircraft Trades stocks.

Commercial Vehicles

Table of Commercial Vehicles stocks.

Components

Table of Components stocks.

Garages and Distributors

Table of Garages and Distributors stocks.

NEWSPAPERS, PUBLISHERS

Table of Newspapers and Publishers stocks.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, and Advertising stocks.

SHIPPING

Table of Shipping stocks.

SHOES AND LEATHER

Table of Shoes and Leather stocks.

SOUTH AFRICANS

Table of South African stocks.

TEXTILES

Table of Textiles stocks.

PROPERTY

Table of Property stocks.

Investment Trusts

Table of Investment Trusts.

Finance, Land, etc

Table of Finance, Land, etc stocks.

OIL AND GAS

Table of Oil and Gas stocks.

Far West

Table of Far West stocks.

Central African

Table of Central African stocks.

Finance

Table of Finance stocks.

Rubbers, Palm Oil

Table of Rubbers and Palm Oil stocks.

Teas

Table of Teas stocks.

MINES

Table of Mines stocks.

Diamond and Platinum

Table of Diamond and Platinum stocks.

Central African

Table of Central African stocks.

Miscellaneous

Table of Miscellaneous stocks.

THIRD MARKET

Table of Third Market stocks.

REGIONAL & IRISH STOCKS

Table of Regional and Irish Stocks.

TRADITIONAL OPTIONS

Table of Traditional Options.

PROPERTY

Table of Property stocks.

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COMMODITIES AND AGRICULTURE

Brussels faces dilemma over grain feed plan

By Tim Dickson in Brussels

THE LOOMING mid-term review of the current multilateral trade talks is expected to complicate discussion of a controversial cereals subsidy plan when it is raised at the weekly European Commission meeting in Brussels tomorrow. The Commission faces a delicate political decision over the timing of any announcement of the revamped "incorporation premium" scheme - essentially a payment to EC animal feed manufacturers who can demonstrate that they have increased the amount of Community cereals in their production. The idea has been promoted most ardently by the French Government, which insisted, against the Commission's better judgement, that a commitment to bring forward proposals for such a subsidy should be written into the conclusions of the Heads of Government Summit of EC leaders in Rome. Much heat was subsequently generated in discussion of the issue during this year's negotiations over 1988-89 EC farm prices - a specific scheme was included alongside the rest of the Commission package - but in the end Farm Ministers effectively dodged the difficulty by setting a new deadline for agreement (namely the end of the year, with Commission proposals to be tabled by October 31).

Trading record for London oil futures

By Max Wilkinson, Resources Editor

THE VOLUME of trading on the International Petroleum Exchange in London reached record levels in October, the exchange announced yesterday. Since it was re-launched in June, the exchange's futures contract in North Sea Brent, the most widely traded grade of crude in Europe, has traded over 136,000 lots, equivalent to more than 158m barrels of oil. Average daily volume in October was 2,671 lots, with a peak of more than 5,000 lots on October 19, the exchange said. Traders say that the exchange has established a useful contract which is increasingly being used for professional hedging and arbitrage. But the volume is not yet large enough to attract much speculative interest from outside the oil industry. However the longer-established gas oil contract is said to be attracting increased speculative interest. In October gas oil traded a record 150,150 lots, equivalent to 1.5m tonnes, compared with the previous monthly record of 159,008 in July and 95,161 in October 1987. Daily average gas oil turnover was 3,000 lots in October. Gas oil open interest, which represents the number of trading positions, reached 75,000 lots in October compared with 14,000 in crude futures. In the first 10 months of 1988 gas oil futures traded 1.25m lots, against 1.1m in the whole of 1987. Mr Richard Wilcox of the Elders Financial Group in London said the IPE Brent contract had been used to complement the Brent forward market, in which whole cargoes of crude are traded. Since the IPE contract represented a smaller amount of crude, it was useful for partial hedging where appropriate. He said there had also been increasing interest in matching trades in Brent crude and gas oil on the basis of the IPE contracts. This allowed traders to take a view about refinery margins. However, he said volumes were not yet large enough to warrant talk of the so-called Wall Street refiners moving into London. The Wall Street refiners are traders acting for large financial institutions who use futures contracts for crude oil and products to exploit changes in refining margins.

Changing attitudes on Portugal's farms

Diana Smith describes the dynamic impact of EC membership

WHEN PORTUGAL joined the European Community in 1986 its agriculture was underdeveloped, under-financed and disorganised. The country had 800,000 farmers and 25 per cent of the active population was involved in agriculture, but yields were less than a quarter of EC averages and it had to import half its foodstuffs and animal feed. Although quality was low prices to farmers for grain and milk were respectively 70 per cent and 30 per cent above EC levels. Generations of farmers prided themselves on their feeling for farming, yet up and down the country, in the Ribatejo valley along the river Tagus, in the sun-scorched Alentejo or in the hilly North, the wrong crops were grown in the wrong soil. Men and women with Europe's highest specialisation - to assume the Ribatejo valley along the river Tagus, in the sun-scorched Alentejo or in the hilly North, the wrong crops were grown in the wrong soil. Men and women with Europe's highest specialisation - to assume the Ribatejo valley along the river Tagus, in the sun-scorched Alentejo or in the hilly North, the wrong crops were grown in the wrong soil.



was paid out to farmers to finance this process and, after receiving expert advice, planting high-grade maize for milling for the first time in the area. The experiment has succeeded, yields are approaching EC averages, and use of the right nutrients and methods is stressed by younger farmers, who are setting a new pace in the area. In areas to the northwest of Lisbon where lower quality vine orchards of the sort discouraged by the EC was a tradition, sheep farming is being tried. Portugal has a shortage of home grown lamb for meat and sheep for wool. Radical rethinking is also under way in the most controversial geographical area - the Alentejo, heart of the tobacco and cork industry. Retired farmers are being encouraged to take up large spreads in 1975 and efforts to introduce Soviet-style collective farms concentrating on wheat production. Following EC accession farming officials have finally accepted what neither politicians nor producers cared to admit for 60 years - that the Alentejo is not fit for intensive wheat or other grain farming. Its soil is poor and has been leached by more than half a century's vain efforts to achieve wheat self-sufficiency. What the Alentejo is really good for is now being studied. It may be trees tolerant to the region's blistering summers and low rainfall (olive, cork and eucalyptus), some wine in the east of the province and in areas where irrigation is suitable, and exportable market farming produce. Portugal's agricultural transition cannot be easy because both governments and farmers spent too many decades avoiding a head-on attack on glaring problems not only of production but of distribution and storage of produce and unrealistic pricing systems. But the eagerness with which hundreds of technicians and thousands of farmers are now trying to make up for lost time is impressive. The amount of farming information available - on television, through growing number of Agriculture Ministry branches in the provinces, special workshops and town meetings, has increased enormously and generally focuses on the same points: Select crops, nutrients, pesticides, and machinery with care. Produce for the market with an eye for quality, not haphazardly. Pay more attention to the health and hygiene of livestock. Consult experts: do not rely on instinct. What Portugal needs in the view of the authorities is fewer, better farmers; therefore retirement schemes must be set up for the most able or untrainable. Alternative jobs in building, services and industry must exist for those men who have farmed in unproductive areas. Only when agriculture is more smoothly organised and there is a stronger cadre of efficient farmers can Portugal start adhering to the EC's programme for setting aside surplus cereal land. But whether the ten year transition will be enough to undo so many past mistakes is still the biggest question hovering over the sector. Meanwhile a great deal of the progress made in 1986 and 1987 was harmed by appalling rain. Portugal suffered from October 1987 to July 1988. This reduced planted areas and yields after substantial rises in 1986 and 1987. Decreases in crop, compared with 1987, were 50 per cent for wine, 42 per cent for oats and 21 per cent for barley. Testimony to the change in farmers' attitudes is that instead of sitting around passively, demanding their share of government compensation and, despite 1988 losses, planning for a better 1989 - weather permitting.

Inco to spend \$81m on restarting nickel mine

By Kenneth Gooding, Mining Correspondent

INCO, THE world's largest nickel producer, is to spend US\$81m on replacement mining capacity in Manitoba, Canada. The Birchtree mine, which was first opened in 1966 but put on "standby" eleven years later, will be restarted next year after being refurbished at a cost of \$45.5m. At the same time Inco will spend \$34.1m to develop Thompson Open Pit South by 1990 when Thompson Open Pit North, opened at a cost of \$81m in 1986, will be depleted. The Manitoba division last year contributed about 130m lbs of nickel or 23 per cent of Inco's total world-wide output of 458m lbs. The group stressed yesterday that it intended to keep its annual production to between 400m and 450m lbs to maintain its 35 per cent nickel market share. Inco pointed out it had three other mines in Manitoba on "standby", testimony to the fact that current high nickel prices would not tempt it to increase capacity substantially. The group said Birchtree had 700m lbs of mineable nickel reserves, enough for more than 20 years, after producing 300m lbs when it was previously operating. The mine would employ about 160 people when in full production but most of them would be transferred from elsewhere in the division. Inco said that by employing the most advanced mining methods, by electrifying to maximum degree and by using the latest in support equipment, the mine's productivity would be doubled in comparison to the earlier operating period. Thompson Open Pit South has 150m lbs of reserves, enough for five years' operation.

Canadian uranium output hits record

By David Owen in Toronto

CANADIAN URANIUM production reached an all-time high of 12,456 tonnes in 1987, equivalent to 84 per cent of non-communist world output, according to statistics released by the Federal Government in new figures. Last year's figure represents an increase of approximately 6 per cent from the 1986 production level. Most of the difference is made up of extra output from the Key Lake facility in the south-western province of Saskatchewan. This operation produced about 5,200 tonnes of uranium last year - a rise of some 305 tonnes from its 1986 output. Total uranium shipments under all active domestic and export contracts amounted to 13,900 tonnes, with the balance being drawn down from reserve stocks. The shipments were valued at C\$1.1 bn (equivalent to about \$516m at the current exchange rate). Although the aggregate value of Canadian uranium shipments was up marginally from the level a year earlier, because of the higher volume of material handled, the average price for deliveries under export contracts continued to slide that has characterised the last few years. This figure, reached just US\$23 per lb in 1987 - down \$2 from the 1986 average and \$4 from 1984. The deterioration in the average price level was due principally to the much higher proportion of export deliveries made on a spot price basis.

WEEKLY METALS

Table with columns for metal names (ANTIMONY, BISMUTH, CADMIUM, COPPER, COBALT, MERCURY) and their respective prices in various units.

Chicago

Table with columns for metal names (SOYABEANS, SOYABEAN OIL, SOYABEAN MEAL, MARBLE, WHEAT, COTTON, SUGAR, ORANGE JUICE, LIVE CATTLE, LIVE HOGS) and their respective prices.

WORLD COMMODITIES PRICES

Table of LONDON MARKETS prices for various commodities like COCOA, COFFEE, SUGAR, OIL, POTATOES, SOYABEAN MEAL, RUBBER, GRAINS, COTTON, and WOOL.

Table of LONDON METAL EXCHANGE prices for various metals like ALUMINIUM, CASH, COPPER, LEAD, NICKEL, SILVER, and ZINC.

Table of US MARKETS prices for various commodities like CRUDE OIL, SUGAR, COTTON, and SUGAR WORLD.

Table of CHICAGO prices for various commodities like SOYABEANS, SOYABEAN OIL, SOYABEAN MEAL, MARBLE, WHEAT, COTTON, SUGAR, and ORANGE JUICE.

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WORLD STOCK MARKETS

Main table of world stock markets including sections for Australia, Canada, Germany, Italy, Sweden, and Japan. Each section lists various stock indices and individual stock prices with their respective changes.

Table titled 'CANADA' showing stock market data for various Canadian companies and indices, including high, low, and close prices.

Table titled 'INDICES' showing performance metrics for major stock indices like the Dow Jones, Nikkei, and others, including high and low values for the current period.

Table titled 'NEW YORK ACTIVE STOCKS' listing active trading in the New York market, including stock symbols, prices, and volume.

Table titled 'TOKYO - Most Active Stocks' listing the most active trading in the Tokyo market, including stock symbols and prices.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered...' and '12 FREE ISSUES'. It includes contact information for subscriptions and a small image of the newspaper.

3pm prices November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like '10 Month High', 'Low', 'Open', 'Close', 'Change', 'Volume', 'Bid', 'Ask', 'Last Sale', 'Settlement', 'Open Interest', 'Volume', 'Bid', 'Ask', 'Last Sale', 'Settlement', 'Open Interest'.

Advertisement for Philips monitors. Text: 'PRO MONITORS FROM PHILIPS', 'The clear advantage', 'PHILIPS'. Includes an image of a monitor.

Continued on Page 53

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Handwritten text: "Joshi 10/1/88"

NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 1

Main table of NYSE Composite Prices. Columns include Stock, Div., High, Low, Last, Change. Lists various stocks like AMZN, BHP, C, etc.

Main table of Over-the-Counter prices. Columns include Stock, Div., High, Low, Last, Change. Lists various OTC stocks like AIG, AIGP, AIGS, etc.

Notes and footnotes regarding stock prices, dividends, and market conditions. Includes text about 'Sales figures are unaudited' and 'Dividend dates'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices. Columns include Stock, Div., High, Low, Last, Change. Lists stocks like ATE, ATG, etc.

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